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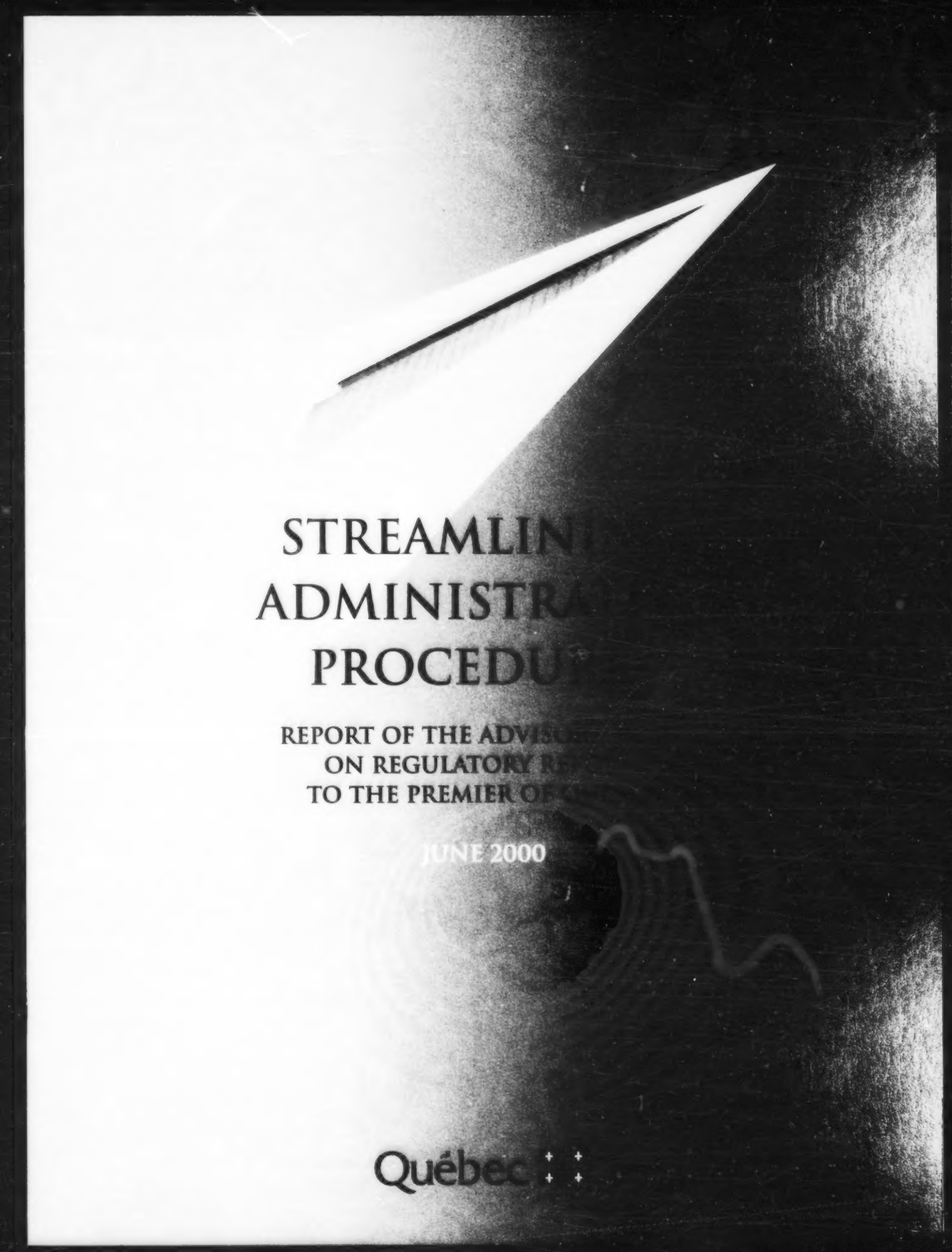

Québec

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STREAMLINING ADMINISTRATIVE PROCEDURES

REPORT OF THE ADVISORY PANEL ON REGULATORY REFORM TO THE PREMIER OF QUÉBEC

JUNE 2000

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Montréal, June 8, 2000

The Right Honourable Lucien Bouchard
Premier of Québec
Parliament Building
Québec (Québec)
G1A 1A2

Dear Premier,

In accordance with the Order in Council dated April 28, 1999, I present you with a report on the past year's activities of the Advisory Panel on Regulatory Reform with regard to the streamlining of the administrative formalities arising from Québec's regulatory system.

Please note that the report contains nearly sixty recommendations stemming from an in-depth examination of reports submitted by business associations, from meetings with several of these associations and from work done in collaboration with around a dozen government departments and agencies. These recommendations, which address a wide range of issues, share the common goal of helping to reduce the administrative burden on businesses, mainly small and emerging businesses, which play a major role in job creation. Apart from the recommendations concerning pay equity, they all met with the unanimous approval of the Advisory Panel's twelve members.

Throughout its work, the Advisory Panel heard numerous comments from business associations which supported the recommendations it made to the government in its report of May 1998, particularly those pertaining to the regulation of labour and the environment sector. May I remind you that the business community still hopes that action will be taken on certain recommendations that have not yet been implemented.

In conclusion, I would like to highlight the dedicated, efficient work of the members of the Advisory Panel and the generally constructive collaboration of the departments and agencies approached.

Yours truly,

Bernard Lemaire
Chairman of the Advisory Panel
on Regulatory Reform

EXECUTIVE SUMMARY

The document entitled *Streamlining Administrative Procedures* is the second report of the Advisory Panel on Regulatory Reform. This Panel was formed by the government to meet a commitment made at the 1996 Summit on the Economy and Employment to reduce the administrative and regulatory burden on businesses and thus foster investment and job creation in Québec. The present report is the outcome of the mandate conferred upon the Advisory Panel by Cabinet in April 1999 to study the administrative irritants arising from the regulatory framework governing businesses.

This report is based on the main concerns expressed by the more than 25 business associations that responded to the Advisory Panel's invitation to take part in consultations held in 1999. It proposes courses of action which the Advisory Panel feels could help to reduce the administrative burden on businesses and stimulate investment and job creation in Québec.

THE ADMINISTRATIVE BURDEN: A FEW FIGURES

A survey conducted in 1999 by the Secrétariat à l'allégement réglementaire in collaboration with some 20 departments and agencies revealed that these departments and agencies alone were responsible for over 12 million of the administrative formalities, in the form of permits, authorizations, certificates, registrations, reports and so forth, which businesses had to observe in 1997-1998. However, this survey is not complete and does not include certain other requirements that are also part of the total administrative burden, such as briefs that have to be submitted to various ministers, plans and specifications that must be supplied and various controls that must be exercised. In some sectors, such as the hotel and restaurant industry, 10 to 12 permits or authorizations may have to be obtained from Québec government departments and agencies to operate a business, not to mention those required by federal and municipal levels of government. In the Advisory Panel's opinion, these many and costly formalities are likely to impede the growth of small and medium-sized businesses (SMBs) and the start-up of new businesses.

Administrative requirements are known to affect mainly small businesses. It is important to note, therefore, that 92% of firms in Québec have fewer than 20 employees. Such businesses often do not have the human and financial resources needed to satisfy these obligations. Costs incurred to meet the requirements of all levels of government combined can represent up to 15% of a small business's total income, which is a considerable proportion given the fairly low profit margins of some firms in certain highly competitive sectors.

According to a recent report by the Organization for Economic Co-operation and Development, the administrative burden arising from regulatory controls is estimated to cost businesses an amount equal to around 3% of GDP. If this percentage is applied to Québec businesses, the total cost of satisfying their administrative requirements is roughly $6 billion.

In addition to highlighting the costs that regulations generate for business people, the Advisory Panel has identified a number of irritants, which all stem from processes related to the adoption and application of regulatory measures. Such irritants include the sometimes poor reception businesses receive in government departments and agencies, the difficulty of obtaining clear, complete, simple and consistent information, the considerable red tape linked to government controls, and excessive delays.

REGULATIONS STUDIED BY THE ADVISORY PANEL

The Advisory Panel has made nearly 60 recommendations to the Premier of Québec. These recommendations focus mainly on administrative irritants arising from general regulations, or regulations that apply to a large number of businesses (e.g. legislation respecting taxation, the environment and the legal publicity of firms) and from sectoral regulations, or those that govern specific sectors of economic activity (e.g. standards relating to building practices and the sale of alcoholic beverages).

Irritants occasioned by general regulations

- **Administrative irritants arising from the *Environment Quality Act***

  The Advisory Panel still believes that it is possible to improve the operation and efficiency of Québec's environmental system without jeopardizing environmental quality or having to "radically change the present scheme of the *Environment Quality Act*". Therefore, the Panel has proposed a number of measures aimed primarily at reducing procedures and delays related to the issuing of certificates of authorization (mainly under ss. 22 and 31.5 of the Act) and at simplifying certain provisions of the Act that pertain to depollution attestations.

- **Application of tax legislation**

  Given that the tax system contributes the most to the administrative burden on businesses, the Advisory Panel has made 14 recommendations in this regard, ranging from ways to improve reception services (e.g. make telephone reception services more efficient, ensure that information is consistent, reduce processing delays) to proposals for substantially easing the application of policies concerning, in particular, the collection of amounts owed by businesses (e.g. reduce the difference between interest rates charged businesses and those paid by the government and reduce the time it takes to process objections).

- **Application of the *Act to foster the development of manpower training***

  The Advisory Panel has taken advantage of the fact that the Minister of State for Labour and Employment must file a report with the government shortly on the implementation of the *Act to foster the development of manpower training* to make recommendations to the Minister aimed primarily at reducing the administrative burden on very small businesses subject to the Act.

- **Application of the Pay Equity Act**

  In addition to highlighting the considerable efforts made to date by the Commission de l'équité salariale, the Advisory Panel has drawn attention to specific problems likely to generate major delays and substantial administrative costs for businesses when they implement their pay equity procedure.

  Essentially, the Advisory Panel has asked that steps be taken to ensure that firms with 10 to 49 employees have access to appropriate and efficient tools for implementing their pay equity plan, that the deadline for applying the pay equity procedure be extended to November 21, 2002 in the case of these firms and that a group of experts be set up to study certain problems relating to the application of the Act and to find solutions for medium and large businesses.

  It should be noted that the labour union representatives on the Advisory Panel have said that they do not agree with certain aspects of the analysis proposed by most of the Panel members and that they totally disagree with the latter's recommendations.

- **Application of the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons***

  Considering that the Inspecteur général des institutions financières (IGIF) is responsible for making public the information it has on business firms that do business in Québec, the Advisory Panel has recommended that steps be taken to increase the flow of public data among government departments and agencies in order to reduce updating procedures for various types of information regularly requested of businesses. It has made several recommendations in this regard.

  As in its first report, the Advisory Panel has also recommended that the annual declaration which businesses have to file with the IGIF be integrated into their income tax return and that this measure be applied mainly to businesses that do not constitute legal persons.

Irritants linked to sectoral regulations

- **Regulations applicable to the construction industry**

  The Advisory Panel has recommended the creation of one-stop service outlets for construction companies and the adoption of a single set of building standards for this sector.

- **Regulations applicable to liquor permit holders**

  The Advisory Panel has recommended that the government review the liquor permit issuing system for the restaurant and hotel industry, mainly to introduce the single permit concept and involve the industry in finding practical solutions to problems relating to the purchase, conservation and storage of alcoholic beverages – problems that are a source of administrative irritants for small businesses.

- **Other sectoral regulations**

  The Advisory Panel has briefly examined other irritants connected with the regulation of certain economic sectors, namely, the agrifood, forest, petroleum product distribution, outfitting and tourism industries. The Panel's recommendations concern specific issues (e.g. certain provisions of the *Veterinary Surgeons Act*, regulatory requirements relating to petroleum products) or suggest courses of action that should be explored by the department or agency concerned.

THE CASE OF BUSINESS START-UPS

The Advisory Panel still believes that one-stop service outlets should be set up in local development centres (LDCs) to facilitate administrative procedures for emerging businesses and thereby encourage entrepreneurship in Québec. Therefore, it has recommended that the Québec government formally recognize the key role of LDCs in this regard and ensure they have the means to fulfil their mandate.

The Advisory Panel has also endorsed the project to develop a business start-up kit under way at the Ministère de l'Industrie et du Commerce (MIC), which is designed to simplify procedures for new

entrepreneurs. It has recommended that the government take steps to accelerate this initiative and enlist the collaboration of the MIC's government partners.

SOLUTIONS TARGETING THE REGULATORY PROCESS AS A WHOLE

The Advisory Panel has also studied several questions concerning the way in which the government drafts and applies regulations and the means it employs to inform businesses.

The various recommendations made by the Panel in this area are aimed at:

- improving the draft regulation consultation process by inviting industry and other interested parties to play a greater role in identifying problems and solutions;
- reducing the number of administrative procedures through an approach involving the collaboration of government departments and agencies and the completion of the survey initiated in 1999;
- grouping administrative procedures through such measures as one-stop service outlets in order to reduce the number of government departments and agencies dealing with the same businesses;
- devising ways of assessing the cost of administrative procedures so as to more accurately evaluate the impact of proposed regulations on businesses;
- ensuring that regulations and related documents (e.g. guides) are clear;
- entrusting more responsibilities to private-sector professionals regarding the compliance of businesses with regulatory and administrative requirements;
- increasing the use of new information and communications technology to make it easier to transmit and disseminate information, obtain and return forms, file reports with the government and pay amounts owed;
- ensuring that enforcement activities and penalties target mainly businesses that are most likely not to comply with existing requirements.

CONCLUSION

In this report, the Advisory Panel on Regulatory Reform has proposed a number of recommendations, which, if applied, will help to significantly offset the adverse effects of administrative requirements on the economy. In its opinion, reducing the administrative and regulatory burden on businesses, particularly SMBs, must continue to be a government priority. The public sector should be made more aware of the need to minimize the administrative load on small businesses, which play a major role in job creation, in order to make Québec not only one of the most socially progressive societies in the world, but also one of the most dynamic in terms of entrepreneurship, economic growth and job creation.

MEMBERS OF THE ADVISORY PANEL ON REGULATORY REFORM

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INTRODUCTION

During the 1996 Summit on the Economy and Employment, the Québec government and its socioeconomic partners reached a consensus on the need to reduce the administrative and regulatory burden on businesses to foster investment and job creation in Québec. They decided to set up an advisory panel on regulatory reform, consisting mainly of representatives from the business community and labour unions, whose mandate would essentially be to advise the government on measures for reducing regulatory and administrative requirements on business firms.

The Advisory Panel, which was created in 1997, submitted and made public its first report to the government in June 1998. The report contained some 40 recommendations pertaining mainly to regulatory controls in the areas of labour relations, environmental protection and the application of tax legislation.

Mandate of the Advisory Panel

The Advisory Panel's mandate was renewed on April 28, 1999 for an additional two-year period. For this second mandate, however, the government asked the Panel to focus more attention on administrative irritants arising from existing regulations (e.g. undue requirements, paperwork, excessively long response times) and thus make it possible to act on the many reports, briefs and representations submitted to the government by the business community in recent years. The Advisory Panel's mandate was modelled after similar initiatives in other jurisdictions, particularly Ontario, where the government has set up its own advisory body, the Red Tape Review Commission.

The Advisory Panel is aware that its current mandate focuses more on the application of regulatory measures than on the policy directions that underpin draft regulations and legislation and standards per se. This report is thus more technical than the previous one, but nevertheless discusses issues deemed very important in business circles.

Approach

To address the specific concerns of the business community, the Advisory Panel decided to consult Québec's main business associations in summer 1999. About 25 of the 70 associations consulted filed a report, while others submitted comments on a more informal basis. Several had the opportunity to meet with the Advisory Panel and explain certain aspects of their report. This careful, rigorous approach provided the basis for the Panel's work program. It should be noted that the associations which answered the Advisory Panel's invitation to participate in the consultations are representative of the wide range of sectors that make up Québec's economy and reflect the size of its business firms.

On the basis of the reports it received, the Advisory Panel identified some 15 possible courses of action for dealing with the administrative irritants mentioned most frequently by business associations. It then asked the government departments and agencies concerned to help study the problems raised and identify solutions when necessary. These departments and agencies readily responded to the invitation. In fact, most of the observations and recommendations in this report are based on a common reading of the situation and, often, of the remedies required.

The need for further action

The Advisory Panel is well aware that its proposed solutions will only partially reduce the regulatory and administrative burden on businesses. Therefore, in the coming months, it plans to study several of the other administrative problems that were mentioned in the reports submitted by the various associations but that could not be addressed during this part of its mandate. Meanwhile, the Advisory Panel has invited the government to examine the recommendations made in this report and, if possible, to use the heightened awareness and mobilization generated by current government efforts to improve services to citizens and businesses as a means for encouraging the public sector to take initiatives aimed at reducing the administrative requirements imposed on the private sector. Improving client services inevitably involves streamlining administrative procedures.

The Advisory Panel would also like to mention that, during the consultations, several business associations stressed that it is important for the government to continue implementing the recommendations made in the Panel's first report (1998). Some associations acknowledged the work accomplished to date, including the renewal of the Advisory Panel's mandate, the announcement of an action plan to review legislation respecting professions, and regulatory reform in the tourism sector. However, they also called for, as suggested in the 1998 report, a review of the more burdensome regulations governing businesses and likely to impede investment and job creation in Québec.

Lastly, the Advisory Panel would like to reiterate that it does not have a mandate to pass judgment on the principles underpinning Québec's regulatory framework, let alone suggest policy directions that might affect the health and safety of workers and the general public and environmental protection. In the Advisory Panel's opinion, reducing the regulatory and administrative burden on businesses can be reconciled very easily with achieving the government's societal objectives.

DEFINITIONS

Regulation

In this report, the term "regulation" generally refers to any provision of a statute, regulation, order in council or government directive that imposes requirements on citizens, businesses, municipalities or others.

According to the classification system adopted by the Organization for Economic Co-operation and Development (OECD), regulations generally fall into three categories:

- **Economic regulations**, which intervene directly in market decisions such as pricing, competition, market entry and product standards;
- **Social regulations**, which define relations between businesses and the social or physical environment in which they operate. This category includes regulations that pertain, for example, to labour standards and environmental protection;
- **Administrative regulations**, which set the procedures that government authorities may use to gather information on individuals, businesses or other groups for the purpose of applying government policies in the realms of taxation, public procurement, production of statistics, and so forth. These procedures may involve a number of requirements such as filling out forms, preparing reports and meeting deadlines. Administrative regulations, which are often associated with bureaucracy and referred to as "**red tape**", impose restrictions and costs that sometimes appear unjustified. In such cases, they constitute **administrative irritants**.

The above-mentioned categories of regulations are not mutually exclusive. For example, some administrative regulations serve solely to apply certain social or economic regulations. This is the case of procedures for obtaining a permit to operate a business in a given sector.

Regulatory reform

Over the past 20 years or more, most industrialized countries have embarked on a process of regulatory reform after noting that certain regulations can impede job creation and investment.

Regulatory reform can involve several different approaches:

- **Deregulation**, or the elimination of regulatory requirements. Economic deregulation initiatives have been carried out in a number of areas, including such public utility sectors as transportation and communications. In some cases, governments are striving to achieve the same goals as those pursued by mechanisms other than traditional regulations, including voluntary agreements, self-regulation, dissemination of information, and eco-taxes;
- **Regulatory streamlining**, which consists in maintaining legal restrictions while eliminating requirements that are not essential for achieving results (e.g. removing overly finicky standards, introducing standards based on results rather than means);
- **Administrative streamlining**, which is aimed at reducing the administrative burden on businesses, particularly small and medium-sized businesses (SMBs) and at helping them to comply with regulatory requirements by facilitating access to information, simplifying forms, reducing response times and so forth.

The current mandate of the Advisory Panel on Regulatory Reform is focused mainly on reducing the administrative burden on businesses, particularly SMBs.

THE ADMINISTRATIVE BURDEN ON BUSINESSES

For over 20 years, Québec's business community has been asking the Québec government to reduce the administrative requirements that businesses must satisfy under existing regulations. In recent years, there has been a marked increase in the number of permits, authorizations, forms and reports required as well as in the number of government controls exercised. These formalities in turn have engendered costs, delays and uncertainty, which increasingly affect the operation of businesses.

The government has attempted to reduce this administrative burden on several occasions since the 1980s, but it is only since 1994, and especially 1996, that it has made a more determined effort to do so. As demonstrated by a number of reports received during the consultations, the government's attempts to streamline administrative procedures since the mid 1990s have not gone unnoticed by the business community. A report recently filed with the Advisory Panel by the Secrétariat à l'allégement réglementaire points out that over 700 000[1] of the 2 million or so permits and authorizations issued to businesses in 1993-1994 have been eliminated over the past five years, reducing the associated formalities (e.g. forms to be filled out and submitted) accordingly.

GENERAL STATISTICS

Despite these achievements, the Québec government still has much to do if it is to reduce the administrative requirements imposed on businesses. A survey conducted in 1999 by the Secrétariat à l'allégement réglementaire in collaboration with some 20 departments and agencies revealed that these departments and agencies alone were responsible for over 12 million of the administrative formalities (i.e. permits, authorizations, certificates, declarations, registrations, licences and reports) that businesses had to observe in 1997-1998. However, these figures, which already speak volumes, do not tell the whole story, since they do not include certain other requirements that are part of the total administrative burden: for example, briefs that have to be submitted to various ministers, plans and specifications that must be supplied, various controls that are exercised and procedures that must be followed to obtain information.

Every year, a given business firm may have to follow dozens if not hundreds of procedures to comply with regulatory requirements in Québec, depending on its sector of activity and level of development. Obviously, not all of these procedures are equally cumbersome: for example, simply registering with a department can often be a quick, inexpensive process, while obtaining a permit or an authorization, which sometimes has a determining impact on whether or not a project is implemented, may require more information (e.g. plans and specifications) and entail costs and delays that are deemed excessive.

According to the above-mentioned survey, which is still awaiting responses from certain departments and agencies, businesses in some sectors, such as the hotel industry, may easily be required to obtain 10 to 12 permits or authorizations from the government, not to mention those they have to request from other authorities (e.g. municipalities).

Small and medium-sized businesses (SMBs) are the hardest hit

Although the impact of administrative requirements on businesses is generally not assessed very accurately, it is now acknowledged that such requirements can have a fairly major effect, particularly on SMBs. And it is precisely SMBs, whether they are just starting up or expanding, and self-employed workers that create the vast majority of jobs in Québec. Therefore, policies aimed at stimulating job creation must strive to minimize the administrative burden placed on these small businesses.

According to a study [2] commissioned by the federal government in 1995, business firms with fewer than 5 employees devote an average of slightly over 8% of their income to meeting administrative requirements arising from federal regulations, while those with between 50 and 99 employees earmark around 2% of their revenues for this purpose. When the costs generated by Québec and municipal regulations are also taken into account, there is reason to believe that small businesses may devote up to 15% of their income to dealing with government administrative procedures, which is a considerable proportion given the fairly low profit margins of some firms in certain highly competitive sectors.

1. This figure includes 250 000 mechanical inspection certificates required by the Société de l'assurance automobile du Québec, 150 000 other certificates stemming from Québec's adhesion to the International Fuel Tax Agreement (IFTA) and 100 000 authorizations from the Régie du bâtiment du Québec (RBQ) for electrical work.

2. Survey conducted in 1995 by Information Management and Economics Inc. (IME) for the Federal Treasury Board.

It should be noted that 92% of Québec's 195 000 or so businesses have fewer than 20 employees. These firms, most of which are sole proprietorships, often do not have the human and financial resources needed to satisfy the administrative requirements imposed by government regulations. This is also the case of the some 35 000 to 40 000 new businesses established in Québec every year and the 500 000 people who are self-employed or work as specialized professionals or in other capacities. These small "businesses" are responsible for most of the jobs created in Québec, and an effort must be made in elaborating draft legislation and regulations to not place restrictions on them that will undermine their determination and entrepreneurial spirit.

It should also be noted that, during the 1990s, the number of businesses created on an annual basis in Québec was sometimes as much as 10 000 less than during the previous decade. In the 1980s, the business start-up/shutdown ratio was much more positive than it is today: during the last year for which statistics are available (1995-1996), 36 097 businesses were created while almost the same number (35 623) had to shut down. Although the administrative burden is not the only factor responsible, reducing it will surely help to improve this ratio. Several participants at the recent Sommet du Québec et de la jeunesse shared this viewpoint.

Cost of administrative procedures

Like many other parts of the world, Québec has very little data for determining precisely what proportion of the overall administrative burden on businesses is attributable to administrative procedures. In general, the cost of such formalities (e.g. the time it takes to comply with them, fill out the necessary forms and prepare reports) is not evaluated as accurately as that related to capital investments or other tangible expenditures.

In most countries, administrative regulations are so numerous and varied that even conducting a summary assessment of their impacts is a formidable challenge. The legislative and regulatory corpus of Québec alone comprises 450 statutes and 2 500 regulations, many of which impose administrative requirements on businesses. Measuring this burden also poses major methodological problems. For example, what value should be assigned to the delays businesses face in launching investment projects? In addition, how should one evaluate the time it takes prospective investors to fill out the necessary forms, read the appropriate information booklets and follow all the procedures required by the different authorities concerned?

Of all regulatory frameworks, that of the United States is probably the one that has been studied the most, by government authorities and independent researchers alike. A study [3] conducted by a researcher renowned in the field of regulatory costs assessment in the United States revealed that approximately 30% of the annual cost or impact of US federal regulations, estimated at around 10% of gross domestic product (GDP), may be attributed to the formalities such regulations entail. These figures demonstrate the considerable impact of the administrative requirements associated with regulatory controls.

The OECD[4] has obtained similar results. According to its estimates, the cost of administrative procedures for businesses and individuals is equal to nearly 3.5% of GDP. Even though no estimates are available for businesses alone, it is reasonable to assume that, in their case, the cost of the administrative burden arising from regulations is equal to about 3% of GDP, given that business firms must generally satisfy more administrative requirements than ordinary citizens. If this percentage is applied to Québec businesses, the total cost of their administrative load amounts to approximately $6 billion. This is a plausible estimate considering previous studies of costs related to some of Québec's regulatory measures (e.g. the application of tax legislation, pay equity) and given that the costs included would be generated by all three levels of government.

It is not surprising therefore that the criticisms levelled by the business community in regard to regulatory controls are concerned more with their application than with the standards they set. Although business people sometimes decry these standards, especially those that affect the growth and competitiveness of their firms, they often agree with their underlying objectives. Nevertheless, they frequently denounce the undue red tape, paperwork, costs, excessive delays, "finicky" controls and considerable duplication that such standards entail. Their complaints focus on these formalities, which often impede investment.

During its first mandate (1997-1998) the Advisory Panel studied certain administrative requirements contained in regulations such as those pertaining to the environment and the application of tax legislation. It also made specific recommendations to the government aimed at reducing the number of permits and authorizations required and at setting up "one-stop" service outlets in the regions, not only to provide new entrepreneurs with information, but also to help them more easily complete the administrative procedures involved in starting up a business.

3. Hopkins, Thomas D.: *Regulatory Costs in Profile*, Policy Study No. 132, Center for the Study of American Business (August 1996).

4. The *OECD Report on Regulatory Reform*, Volume II: *Thematic Studies*, OECD, 1997.

Aware that much more had to be done, the Advisory Panel embarked on its new mandate firmly committed to listening to business people in order to identify their main concerns.

ADMINISTRATIVE IRRITANTS IDENTIFIED BY THE BUSINESS COMMUNITY

Over 170 administrative irritants were identified during the Advisory Panel's consultations with business associations in summer 1999. These irritants stem from both general regulations, that is, regulations that concern all sectors of economic activity (e.g. those associated with the *Environment Quality Act* and the *Act to foster the development of manpower training*), and sectoral regulations, or those that govern specific activity sectors (e.g. the *Act respecting liquor permits*).

Owing to the major impact of these irritants on the economy as a whole and the number of businesses they affect, the Advisory Panel has paid particular attention to those occasioned by general regulations and to those that can apply to the entire regulatory framework. It has also studied certain sectoral irritants.

Irritants arising from general regulations

The Advisory Panel received many comments and suggestions regarding the application of five sets of regulatory measures affecting all economic sectors: namely, the regulations arising from the *Environment Quality Act*, the application of tax legislation, the *Act to foster the development of manpower training*, the *Pay Equity Act* and the *Act regarding the legal publicity of sole proprietor-ships, partnerships and legal persons*.

Application of environmental regulations

During the consultations, nearly a dozen associations, including the Association de l'industrie électrique du Québec (AIEQ), the Quebec Forest Industries Association (QFIA), the Aluminium Association of Canada (AAC) and the Union des producteurs agricoles (UPA), commented on the way in which environmental regulations are applied.

Several associations, such as the AIEQ, said that it is important to maintain the social and environmental objectives that underpin environmental legislation and regulations; however, they also pointed out that many requirements could be simplified or even eliminated without affecting environmental protection.

In particular, the associations said that the authorization procedures applied by the Ministère de l'Environnement (MENV) are very cumbersome, particularly those relating to sections 22 and 31.1 of the Environment Quality Act (e.g. excessive delays). They also said that the depollution attestation process is very complicated and that regulations are sometimes "finicky" and drafted too often in isolation.

They proposed several remedial measures, ranging from interpretation bulletins and single permits to specific regulatory adjustments. The Advisory Panel has discussed these complaints and suggestions with the department in an effort to identify possible courses of action.

Application of tax legislation

Although most business associations acknowledged that many improvements have been made in the application of tax legislation in recent years, around a dozen of them, including the Fondation de l'entrepreneurship, the Canadian Federation of Independent Business (CFIB) and the Groupement des chefs d'entreprises du Québec (GCEQ), criticized some of the administrative practices of the Ministère du Revenu (MRQ). In particular, they said that the department is not very tolerant regarding even slight delays in the remittance of income tax and other taxes, that the regulations pertaining to the Québec sales tax (QST) and the goods and services tax (GST) are very complicated and that it is difficult to obtain appropriate information, especially when starting up a business. They also decried the excessive delays involved in processing contested assessments, the obligation to pay amounts claimed before objections to notices of assessment have been judged, overly long telephone waits and the high interest rates charged on amounts owed.

The Advisory Panel and the MRQ have discussed these important issues as well as certain others, in addition to a number of solutions proposed by business associations.

Application of the *Act to foster the development of manpower training*

The *Act to foster the development of manpower training* requires businesses with a total payroll of over $250 000 to devote at least 1% of their payroll to employee training. Although the business community no longer questions the merits of the Act, several associations, including the Conseil du patronat du Québec (CPQ), the CFIB and the GCEQ continue to insist that steps should be taken to reduce the administrative burden created by this piece of legislation. A survey submitted to the Advisory Panel by the CFIB, which represents over 19 000 SMBs in Québec, echoes this demand.

The complaints expressed by business associations to the Advisory Panel concern mainly the amount of time it takes to keep records and prepare reports, and the number of documents that have to be kept and supplied to prove that the 1% target has been achieved. In addition, many SMBs are concerned that certain in-house training

expenditures which should logically be deemed eligible under Emploi-Québec rules will no longer be recognized by the MRQ, as happened in the case of the training tax credit. As the CFIB pointed out, SMBs whose owners are often the only manager in the firm do not have enough human and financial resources to plan and implement exhaustive training programs.

Application of the Pay Equity Act

Although the full effect of the *Pay Equity Act* is still not felt, several associations, including the Canadian Council of Grocery Distributors (CCGD) and the CPQ, talked about the unwieldy administrative procedures arising from it. Under this Act, thousands of businesses are required to implement a pay equity procedure that is deemed cumbersome and costly. Businesses firms with 100 or more employees must set up pay equity committees, adopt a pay equity plan, do job evaluations and so forth. According to the associations, the costs engendered by such procedures, not to mention those stemming from eventual wage adjustments, are very high.

Several other questions were also raised with respect to the application of this Act. They concerned the decisions the Commission de l'équité salariale still must render on requests for recognition of pay equity procedures, the impact of such procedures on decentralized businesses, job comparison techniques and problems relating to the confidentiality of managers' salaries when wage adjustments are posted.

Application of the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*

Several associations, including the Fondation de l'entrepreneurship, the CCGD, the Fédération des chambres immobilières du Québec (FCIQ) and the Quebec Food Processors Association (QFPA), also commented on the paperwork, costs and delays generated by the updating of the register of Québec business firms.

Some continued to request that annual declarations to the Inspecteur général des institutions financières (IGIF) be integrated into tax returns filed with the MRQ. These issues have been discussed with IGIF.

Irritants linked to sectoral regulations

In addition to identifying irritants arising from general regulations, business associations mentioned others stemming from laws and regulations that apply more specifically to their sector of activity.

They referred mainly to the regulatory controls governing the construction sector, those pertaining to liquor permits in the hotel and restaurant industry and certain other regulatory measures that apply to the agrifood, wood product processing and outfitting sectors.

Construction industry regulations

Three associations, namely the Association provinciale des constructeurs d'habitation du Québec (APCHQ), the Association de la construction du Québec (ACQ) and the CFIB, drew attention to the administrative burden imposed on entrepreneurs who operate or would like to operate a business in the construction sector.

In particular, they mentioned the large number of government authorities involved in overseeing the industry, the lack of uniformity in building standards in Québec, the problems posed by the current labour pool system and the unusual procedure of having to post licence numbers in public view. They also pointed out how difficult it is for construction contractors, on account of their particular situation, to make an accurate estimate of their payroll for purposes of the occupational health and safety system, and described the serious problems this entails.

Liquor permit regulations

The Association des restaurateurs du Québec (ARQ), which represents some 3 000 members operating over 4 500 establishments, said that the regulation of liquor permits imposed a substantial administrative burden on the restaurant and hotel industry.

In particular, the ARQ decried the host of permits required to operate a restaurant: for example, no less than four permits must be obtained from the Régie des alcools, des courses et des jeux (RACJ) for a small two-storey establishment containing a dining room, a terrace and a small makeshift bar. It demonstrated that it could easily cost up to $2 000 just to acquire these permits from the RACJ. This is a fairly substantial sum considering the size of the businesses usually found in this sector.

The question of permits was therefore central to discussions with the RACJ, as were the irritants occasioned by the Act respecting offences relating to alcoholic beverages – a statute that unnecessarily complicates the operation of establishments in the hotel and restaurant industry.

Regulations governing other sectors

The Quebec Food Processors Association (QFPA), for its part, spoke at length about the regulatory controls applicable to the composition, packaging and labelling of dairy products. It said that they give rise to a number of finicky requirements that interfere with the marketing of these products.

As for the UPA, it said that the provisions of the *Veterinary Surgeons Act* which stipulate that only veterinarians can carry out certain procedures on animals, such as castration and embryo implantation, are a major irritant for a number of farm producers.

The Quebec Forest Industries Association (QFIA), for its part, mainly discussed environmental regulations. However, the Advisory Panel had already been informed of the irritants (e.g. permits, plans, reports) related to the regulation of this strategic economic sector, which accounts for some 100 000 direct, indirect and induced jobs in Québec.

The Federation of Québec Outfitters (FQO), which represents 710 business firms with total sales of over $110 million, stressed the number and range of regulatory requirements in this sector and the plethora of government authorities involved.

Lastly, the Canadian Petroleum Products Institute (CPPI), which for the purpose of the consultations represented mainly major Canadian oil companies that own a large number of service stations in Québec, mentioned several administrative irritants associated with the application of the new regulations pertaining to petroleum products.

Irritants common to regulations as a whole

In studying the reports it received during the consultations, the Advisory Panel noted that even though the various business associations represent sectors governed by different regulatory measures, they all voiced the same criticisms regardless of the measures involved. Although different terms were used to describe the various irritants, certain problems were mentioned over 20 times. The issues thus raised and that seem to apply to regulatory controls as a whole concern:

- the host of departments and agencies involved in certain sectors and the extensive duplication this often entails;
- the difficulty of obtaining clear, complete and simple information;
- the sometimes poor reception received in government departments and agencies (e.g. long telephone waits, attitude of civil servants);
- the numerous and long delays;
- the costs engendered by administrative procedures;
- the ineffectiveness of consultation and concerted action mechanisms;
- the considerable amount of red tape linked to government controls.

These issues, which have broader implications than the questions raised earlier, call for solutions that target the regulatory framework and process as a whole. The Advisory Panel has focused special attention on these matters, which concern all stakeholders, and will make recommendations in their regard in a later section of this report.

Issues not discussed

Given the deadlines it had to meet, the Advisory Panel was unable, during the first part of its mandate, to deal with or make recommendations on certain other major irritants mentioned during the consultations. Such irritants include the requirements relating to the application of the new *Tobacco Act*, the administrative burden arising from occupational health and safety regulations, and the issues raised by the Association des libraires du Québec, the Associations touristiques régionales associées du Québec (ATRAQ), Camping Québec and the Insurance Bureau of Canada (IBC). The Advisory Panel will be able to look at some of these issues during the second part of its mandate.

Even though the consultations allowed the Panel to identify the main administrative irritants that can affect businesses, it feels that it has considered only a very limited number of facets of the issue of government red tape. Several of the groups affected by this problem, particularly those that represent certain resource sectors (e.g. mining), the transportation industry and self-employed workers, did not file reports with the Advisory Panel, even though it is known they shoulder a fairly heft regulatory and administrative burden.

It should be reiterated that most industrialized countries are currently engaged in a process of regulatory and administrative reform, aimed mainly at reducing the administrative requirements imposed on SMBs and thereby fostering job creation. According to a recent OECD report, although certain regulations deliberately favour SMBs, the latter are generally penalized by the cumulative impact of administrative formalities and other regulatory measures. Compared with large businesses, they are less well equipped to understand the arcane workings of regulatory controls and bureaucracy and it costs them more to comply with regulations.

Event though Québec's performance in investment and job creation has improved substantially in recent years, similar improvements have yet to be made in the realm of regulatory and administrative reform.

SOLUTIONS PROPOSED FOR GENERAL REGULATIONS

In carrying out its mandate, the Advisory Panel first tried to establish whether the problems raised by the various business associations actually existed; it then strove to identify, if necessary, solutions in collaboration with the departments and agencies concerned. As will be seen later, this approach proved very effective in many cases, particularly those where departments and agencies spontaneously proposed measures and action plans to correct or alleviate the problems decried. However, the Advisory Panel decided to make recommendations to the government in cases where it realized that the departments or agencies concerned could not or would not commit themselves to going any further even though they often acknowledged the validity of the complaints voiced.

The Advisory Panel will begin by discussing the irritants that arise from general regulations and which thus affect a large number of business firms: namely, environmental regulations, tax legislation, the *Act to foster the development of manpower training*, the *Pay Equity Act* and the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*.

Administrative irritants arising from the *Environment Quality Act*

As seen earlier, many of the associations consulted reacted to a number of the administrative requirements linked to environmental regulations. The Advisory Panel discussed these issues with the Ministère de l'Environnement (MENV), particularly those concerning:

- the unclearness and complexity of administrative procedures;
- the unwieldiness of the process for issuing certificates of authorization under section 22 of the *Environment Quality Act*;
- the lack of uniformity in the application of regulatory controls at the regional level, especially those stemming from section 22 of the Act, which pertains to certificates of authorization;
- the complexity of the environmental impact assessment procedure;
- the need to more clearly define what information should be included in the orders in council and authorization certificates issued for projects subject to the environmental impact assessment procedure;
- the mechanisms for fostering consultation on draft legislation and regulations.

During the Panel's discussions with the department, the latter indicated that it has already initiated deliberations and consultations on the environmental protection system. In its opinion, this exercise will not lead to any action in the short term on the issues raised by the Advisory Panel, especially those relating to the various authorization systems (sections 22 and 31.1 of the Act) and to depollution attestations.

Nevertheless, in an effort to respond to some of the concerns raised, MENV said that it intends to:

- devise an electronic tool for rapidly disseminating information on new regulatory and administrative controls that might affect business firms;
- standardize regional guides on the presentation of applications for authorization certificates;
- set up industrial consultation committees in areas where such bodies do not already exist in order to more accurately identify needs and better inform businesses about MENV policies, programs and regulations;
- implement a concerted action policy with industry by creating a "sectoral committees committee" to be chaired by the Deputy Minister;
- develop guidance and support services and introduce tools for obtaining clear interpretations of existing regulations.

The Advisory Panel endorses these proposals, which address some of the comments and suggestions made by the various associations consulted and which reflect MENV's desire to work in partnership with businesses. Consequently, **the Advisory Panel recommends that the government:**

> **Ensure that the Ministère de l'Environnement act as soon as possible on the above-mentioned proposals for streamlining administrative procedures and ask the department to report to the government within the next few months.**

Despite the interesting proposals made by MENV, the Advisory Panel cannot, on account of its mandate, ignore certain issues that were raised by business associations and that the department

does not plan to deal with in the short term. It should be noted that the Advisory Panel made recommendations in its first report (1998) to streamline MENV's authorization systems, and some of these recommendations do not seem to have been implemented.

Therefore, the Advisory Panel would like to take advantage of the fact that MENV has initiated deliberations and consultations on Québec's environmental system to reiterate the stance it took in its 1998 report to the government. It then affirmed, as it still believes, that it is possible to improve the system's operation and efficiency without jeopardizing environmental quality or having to "radically change the present scheme of the *Environment Quality Act*". Business firms are now familiar with this legislation and the administrative procedures it entails. They are not asking for major amendments to the Act and its attendant regulations but for the elimination or reduction of undue administrative requirements, a more streamlined authorization process, shorter delays and the realistic application of regulatory controls.

The Advisory Panel would thus like to re-examine some of the proposals it made in its May 1998 report, as well as several other suggestions put forth by the various associations. It would also like to suggest courses of action.

Streamline the application of section 22 of the Act

The main criticisms levelled by the business community against the environmental system concern the application of section 22 of the *Environment Quality Act*, which stipulates that a certificate of authorization must be obtained from MENV for any project likely to entail the discharge of contaminants into the environment or to change the latter's quality. Business people stressed the complexity of the procedure for issuing authorization certificates and drew particular attention to the delays and requirements (e.g. plans and specifications, certificates of municipal conformity) associated with it. They also decried the fact that certificates of authorization place more emphasis on procedures than on anticipated results and sometimes serve as "remedial environmental management certificates", transcending the very purpose for which they were issued. They noted the multitude of authorization certificates granted to some business firms (up to 50 for certain factories) and said that it is sometimes almost impossible for businesses to acquire a global, integrated understanding of their obligations.

In recent years, MENV has proven to be sympathetic to some of these concerns. For example, it has substantially reduced the time it takes to issue most authorization certificates; the majority (77% in 1998-1999, according to the department) are now issued within less than three months. However, much remains to be done to make the authorization system arising from section 22 faster and more efficient; in particular, steps must be taken to reduce the amount of information required (e.g. plans and specifications) and to cut down on the other formalities associated with it. Consequently, **the Advisory Panel recommends:**

> **That the Québec government, within the scope of the current review of Québec's environmental system, take steps to significantly streamline the process for issuing authorization certificates under section 22 of the *Environment Quality Act*, particularly to reduce delays and information requirements (e.g. plans and specifications) and ensure that such certificates are formulated on the basis of realistic objectives rather than means.**

The Advisory Panel would like to highlight the pilot study conducted by the Mauricie regional office over the past few years, where all the authorization certificates issued to business firms were combined into a single certificate. The Advisory Panel suggests that MENV continue to study this approach and perhaps extend it to other parts of Québec.

The Advisory Panel would also like to draw the reader's attention to a practice sometimes observed at the department, which consists in obliging businesses to comply, as part of the authorization process, with requirements that arise from internal directives, guidelines and policy papers or from departmental commitments, proposed regulatory amendments and statements of intent that have not been approved by the legislative or regulatory process. The Advisory Panel must remind the department that the existing regulatory framework is the only one that may be applied, pending, of course, future amendments. The discretionary authority conferred on MENV under certain sections of the *Environment Quality Act* may not be used to subject business firms to standards, restrictions or requirements that the legislator or the government has not first ratified by amending the legislative and regulatory framework accordingly.

Streamline the environmental impact assessment procedure

Even though the government has reduced the time it takes to issue the authorizations required for the main types of development projects subject to the environmental impact assessment procedure, entrepreneurs still find the latter very cumbersome and say that its time frame is too long.

In addition, according to several participants in the consultations, the environmental impact assessment procedure sometimes does not serve its original purpose. Initially, this procedure was designed to

identify the main environmental issues associated with a project and to provide citizens with an opportunity to express their views with full knowledge of the facts during hearings held by the Bureau d'audiences publiques sur l'environnement (BAPE). The ultimate goal was to allow the government to authorize projects on conditions aimed at reducing their environmental impact or to refuse them. It is now clear that the procedure often opens the door to what are deemed excessive requests for studies on considerations that frequently have little to do with the environment. Moreover, the hearings sometimes serve as a public forum for debates on societal issues that often penalize project proponents. Therefore, the business community is justified in insisting that the environmental impact assessment procedure be refocused on its original objectives.

The Advisory Panel would also like to point out that the procedure's time frame, including the time it takes to conduct an impact study and obtain a decision from the government, is still far too long and likely to impede major private investment projects, a sector where Québec has lagged behind certain other Canadian provinces for a number of years. However, there has been a significant reduction (i.e. of 9 months) in the time it takes to obtain authorizations for some major projects, and MENV has introduced a support procedure to facilitate proponents' task. Nevertheless, the current time frame of the environmental impact assessment procedure, which is about 15 months, not counting the time needed to carry out an impact study and obtain a decision from the government, should generally be reduced to no more than 8 or 9 months. This would remove certain impediments to private investment, while making it possible to clearly identify and minimize the main environmental impacts of projects.

Consequently, **the Advisory Panel recommends that the government:**

> **Re-examine the environmental impact assessment and review procedure, mainly to refocus the process on its original objectives and reduce the time it takes to authorize projects that are subject to it.**

Harmonize the content of legal instruments issued under sections 22 and 31.5 of the Act

The Advisory Panel also believes that the content of instruments of authorization issued under section 31.5 and, where applicable, section 22 of the *Environment Quality Act* should be reviewed for projects subject to the environmental impact assessment and review procedure. Too often, orders in council authorizing projects under section 31.5 contain detailed information that should be indicated instead on authorization certificates. This practice can deprive business firms of the flexibility they need to carry out projects and may oblige the department to return to Cabinet if one of the conditions set in an order in council needs to be changed, a process that can unduly extend the time frame of the project concerned.

Consequently, **the Advisory Panel recommends:**

> **That the Ministère de l'Environnement be asked to harmonize the content of the different authorization instruments issued for projects by government order in council under section 31.5 of the Act and by the Minister under section 22 so as to ensure that orders in council contain only information needed to protect the environment and launch projects.**

In addition, to ensure that the certificates of authorization provided for in section 22 are issued rapidly once an order in council is passed, **the Advisory Panel recommends:**

> **That the project notification submitted by a proponent to launch the environmental impact assessment and review process serve as an application for authorization under section 22 of the Act.**

Entrust private-sector professionals with more responsibilities

Even though the Advisory Panel is mainly requesting a reduction in the red tape linked to MENV's authorization system, it believes that the department could free up resources if it entrusted more responsibilities to private-sector professionals in charge of helping business firms carry out their projects. MENV has already taken steps in this direction by asking agronomists and technologists to play a greater role in preparing the agro-environmental fertilization plans required under the *Regulation respecting the reduction of pollution from agricultural sources*. This is an interesting approach provided professionals at the department do not duplicate the work of those from the private sector.

The arrangements provided for in sections 95.1 to 95.9 of the *Environment Quality Act* have interesting potential in this regard. These sections stipulate that a professional may attest that certain types of projects contemplated by government regulation conform to regulatory standards without the proponent having to obtain an authorization under sections 22, 32, 33, 48 or 54 of the Act. As confirmed by the transcriptions of the parliamentary debates that occurred when the *Environment Quality Act* was adopted in 1982, this approach was designed to relieve proponents of waterworks and sewer system projects of the obligation to obtain a certificate of authorization. At the time, such projects accounted for a large share of the authorizations granted under the Act, and this is still the case today. However, in the absence of

implementing regulations, sections 95.1 to 95.9 have not been applied and waterworks and sewer system projects still require authorization certificates under section 32. If these provisions were brought into force, they could target certain routine projects with a fairly limited environmental impact, thus leaving the department more time to oversee projects with greater repercussions.

By using the resources freed up through this approach, MENV would be able to issue certificates of authorization more rapidly than it does now. Consequently, **the Advisory Panel recommends:**

> **That sections 95.1 to 95.9 of the Environment Quality Act be applied to certain types of routine projects with a fairly limited environmental impact in order to entrust private-sector professionals with more responsibilities regarding the environmental conformity of development projects whose plans and specifications they have to prepare.**

Streamline the depollution attestation procedure

It is also possible to substantially streamline the administrative procedures involved in the depollution attestation process for certain types of industrial establishments, while implementing, when necessary, a program to reduce the amount of industrial waste discharged into the environment.

The Advisory Panel agrees with the basic orientations of the attestation process laid down in Division IV.2 of Chapter I of the *Environment Quality Act*, and especially with the fact that it can be adapted to the particular situation of business firms as well as to that of environments affected by the discharge of industrial waste. Businesses see the depollution attestation process as an opportunity to conclude a kind of "environmental contract" with MENV in order to manage all aspects of environmental protection in an effective integrated manner based on mutually agreed objectives rather than on means for their achievement. They also envisage the possibility of replacing most of the authorizations granted by the department under the Act with a single depollution attestation.

At present, only the pulp and paper industry is subject to Division IV.2 of the *Environment Quality Act*. However, it is known that MENV would like to extend the application of these provisions to several other industrial sectors, particularly the mining industry and primary metallurgy.

As demonstrated by the application of this section of the Act in the pulp and paper industry over a period of more than five years, the depollution attestation procedure can be very cumbersome (i.e. involve numerous studies) if the regulatory framework is interpreted too strictly and if some of the statutory instruments issued under the Act (e.g. permits, certificates of conformity, certificates of authorization) are not eliminated. The pulp and paper industry recently reached an agreement with the department on the depollution attestation process, but the proposed procedure will have to be simplified before Division IV.2 of the Act can be applied to other industrial sectors. Consequently, **the Advisory Panel recommends that the government:**

> **Ask the Ministère de l'Environnement to streamline the administrative requirements associated with the depollution attestation procedure and, so as to prevent duplication, to replace most of the authorizations issued by the department under the Environment Quality Act with the depollution attestation before extending the procedure provided for in the Act to other industrial sectors.**

Harmonize MENV activities with those of other government departments and agencies

It is common knowledge that the authorization procedures provided for in the *Environment Quality Act* often supplement those prescribed by other government regulations, not to mention those imposed by federal and municipal authorities. The Advisory Panel urges the department to harmonize, as much as possible, its actions with those of other departments and agencies, particularly the Société de la faune et des parcs du Québec (FAPAQ).

Until recently, the wildlife and parks sectors were affiliated with the environment sector within a single department, namely, the Ministère de l'Environnement et de la Faune. It was possible, therefore, to better coordinate and integrate the measures implemented by that department under both the *Environment Quality Act* and the *Act respecting the conservation and development of wildlife*. Now that the department has been divided in two, some proponents must, for certain types of projects or activities, contact two different departmental authorities in order to obtain the authorizations they need to carry out a project, and they no doubt have to comply with administrative formalities that should often be part of the same system.

Consequently, **the Advisory Panel recommends that the government:**

> **Ensure the Ministère de l'Environnement and the Société de la faune et des parcs du Québec harmonize the application of their respective legislation so that the administrative formalities imposed on entrepreneurs who have to deal with these two government bodies can be integrated into a single system.**

Lastly, the Advisory Panel would like to suggest, as it does below for Québec's regulatory process as a whole, that MENV invite its economic partners to play an even greater role in identifying effective

ways of addressing the environmental problems and needs defined by all interested parties. In the Panel's opinion, the department and all groups concerned (e.g. business people, ecology groups) would benefit greatly from joining forces to identify appropriate solutions for continuing to improve environmental quality in Québec.

Application of tax legislation

In Québec, as elsewhere no doubt, the application of fiscal regulations has elicited numerous criticisms and demands from business circles for many years. In fact, government intervention in this area contributes the most to the administrative burden on businesses. According to figures obtained from the Secrétariat à l'allégement réglementaire, 70% of the declarations, registrations, reports and other formalities required of Québec businesses stem from the application of tax legislation.

Therefore, the Advisory Panel has paid special attention to business associations' comments on this issue and has discussed them with the Ministère du Revenu du Québec (MRQ). It should be mentioned that, since the publication of the Vallerand report on the improvement of relations between the MRQ, taxpayers and mandataries (*Rapport du groupe de travail sur l'amélioration des relations entre le ministère du Revenu, les contribuables et les mandataires*) more than six years ago (i.e. in 1994), the department has embarked on far-reaching reforms to improve the quality of client services and ease internal practices – in short, to address the concerns voiced by businesses and other interested parties. However, despite these efforts, much remains to be done in the department, especially since several of the problems raised in the Vallerand report, such as delays in the processing of objections, have not been resolved or are only partially resolved.

Although the MRQ is not the only department responsible for the administrative burden connected with the application of the tax system (the Ministère des Finances bears its share of responsibility), the Advisory Panel has broached this question again with the MRQ and drawn the department's attention to other issues raised by the business community.

Improve telephone and written communications

In recent years, the MRQ has taken many steps to facilitate communications between its various units and business firms. Nevertheless, the organizations that represent businesses, especially very small firms, continue to complain about the problems they encounter in communicating with the MRQ.

For example, it is still difficult to contact the department by telephone. According to certain reports, small business owners sometimes have to wait up to three quarters of an hour to an hour before they can talk to the person in charge of their file, obtain information or a business number, or have minor errors corrected.

The MRQ has made great strides in the use of new information and communications technology. However, as written communications are increasingly replaced by electronic ones, there is an even greater need for efficient telephone communications that will allow clients to identify appropriate departmental authorities.

The Advisory Panel suggests that the MRQ, like Hydro-Québec, contact clients more frequently by telephone in order to collect delinquent accounts instead of multiplying the number of notices it issues. It could thus determine why accounts have not been paid and propose appropriate arrangements that comply with applicable legislation and policies.

With regard to written communications, many of the business people consulted said that some of the forms or written notices sent out by the department do not contain the name of a resource person or a telephone number; others decried the large amount of correspondence they receive from the MRQ. The department asserts that it is doing everything in its power to alleviate this problem by keeping correspondence with businesses to a minimum, streamlining its requirements and developing electronic communications. However, a great deal remains to be done.

The Advisory Panel is aware that the government is devoting major efforts to enhancing the quality of its services to individuals and businesses. It thus invites the government, within the scope of this initiative, to give priority to improving telephone and written communications with businesses, while pursuing efforts to increase electronic communications with such clients.

Consequently, **the Advisory Panel recommends that the government:**

> **Formally mandate the Ministère du Revenu to give priority, in making internal reforms, to improving telephone and written communications with business firms and require it to achieve specific objectives in this regard.**

Improve information on GST and QST, especially for business start-ups

Fledgling businesses are particularly affected by the complex regulations governing the goods and services tax (GST) and the Québec sales tax (QST). Since new entrepreneurs do not always have enough financial resources to pay for the necessary professional services, they often devote a great deal of time setting up a GST-QST collection system, with all the errors and frustrations this process inevitably entails. The MRQ has already proposed an excellent

assistance program for establishing GST-QST collection management systems in new businesses. Over the past two years, this proposal has prompted several studies and led to the implementation of a pilot project. This project, which is to end in June, should be extended to all regions of Québec.

The Advisory Panel recommends:

> **That the Ministère du Revenu be given a mandate to implement as soon as possible its assistance program for setting up and monitoring GST-QST collection systems in fledgling businesses.**

Ensure that interpretations of tax legislation are consistent

The complexity of tax regulations is well known. They are so complicated, in fact, that despite its determination to simplify them, the MRQ still has trouble providing taxpayers with consistent interpretations of the legislation. The problem is even more acute, although rarer, when such interpretations concern regulations administered by two different departments. The most famous example of this involves the tax credit for manpower training. In this case, a number of employers who thought they had complied with the legislation, based on the interpretation provided by the Société québécoise de développement de la main-d'œuvre, received assessment notices including interest charges from the MRQ several years later because that department interpreted the legislation differently from the Société. As a result, the financial situation of some of these firms was seriously jeopardized.

Taxpayers or mandataries who request information from the MRQ sometimes receive different answers from different people. Therefore, businesses inevitably try to identify and contact the most appropriate resource persons within the department.

The Advisory Panel has provided the above-mentioned examples to demonstrate that every possible effort must be made to ensure that interpretations of the tax legislation the MRQ administers, either on its own or in collaboration with other government bodies, are as consistent as possible.

The department says that it is aware of the consistency problems that can arise in administering such complex legislation as fiscal laws. Apparently, it is setting up a normative framework to provide employees with comprehensive, consistent and up-to-date information. Staff members will thus have electronic access to information derived from a single source. By using electronic media, the department will be able to supply, update and standardize tax documents more rapidly.

Consequently, **the Advisory Panel recommends:**

> **That the Ministère du Revenu introduce mechanisms to ensure that interpretations of the tax legislation it administers, either on its own or in collaboration with other government bodies, are as consistent as possible.**

Ease the policy regarding late remittances of income tax and other taxes

According to the business community, the MRQ is very strict with business firms that make late remittances of GST and QST or source deductions, even if such delays are justified and it is the first time a firm has been late in making its payments. Businesses find this attitude even more frustrating when they consider that they do not receive, unlike firms in Ontario, any financial compensation for acting as government mandataries.

The MRQ has taken steps to remedy this situation, at least in part. The penalty for late remittances, which used to be 15%, may now be 7% for delays of less than 8 days, 11% for those of less than 15 days, and 15% in other cases.

In addition, the MRQ may exercise discretion in applying penalties. However, it must submit an annual report on the cancellation and forgiveness of interest and penalties to the National Assembly.

The Advisory Panel recommends:

> **That the Ministère du Revenu encourage its employees to exercise full discretion in imposing penalties on businesses for late remittances in order to better distinguish between bona fide late payers and chronic late payers, and that it urge its employees to inform businesses that such discretion may be exercised.**

Harmonize interest rates with those set by the federal government

One of the issues brought to the MRQ's attention is the disparity between the interest rates charged by the Québec and federal governments. The Advisory Panel recommends that Québec's rates be substantially reduced.

Business people are well aware of the fact that they will be treated differently depending on whether they deal with the Canada Customs and Revenue Agency (CCRA) or with the MRQ. Furthermore, they are surprized that there is such a marked difference, i.e. 4 to 5 percentage points, between the interest rates that the Québec government charges taxpayers who owe it money and the rates it grants to those to whom it is in debt. In comparison, there is a two-point difference between such rates at the federal level. However, both levels of government claim that they maintain these differences so that taxpayers will not be tempted to finance their activities by defaulting on the payment of debts to the State.

Like its federal counterpart, the MRQ may exercise some discretion in setting interest rates. However, given the practices employed by the department in the past, many business firms are not aware that it can cancel or forgive all or part of the interest they owe under certain conditions.

The Advisory Panel recommends that the government:

> **Take steps to harmonize its policy regarding the interest rates charged businesses and other Québec taxpayers under existing tax legislation with the policy applied by the federal government, and that it provide more information through interpretation bulletins or other means on the discretion that the Ministère du Revenu may exercise to take the specific situation of certain businesses into account.**

Ease the current policy of withholding amounts on government cheques

It is now common practice for the MRQ to ask public bodies that are answerable to the government, such as school boards, hospitals and government departments and agencies, to withhold amounts on cheques they have to pay, in compensation for tax owed to the department. This practice may be justified in cases where amounts are truly owed to the government; however, it is less justified when it targets contested fiscal debts for which a decision has not been rendered by a final decision-making authority.

The practice of withholding amounts on government cheques has become very prevalent in recent years, and it is reasonable to assume that the government will continue to expand the list of departments, agencies and institutions under its jurisdiction required to take part in this system. Although private-sector businesses sometimes apply the same practice, they will never do so on the same scale as the government. In collaboration with the institutions under its jurisdiction, the government deals with millions of taxpayers, beneficiaries and users of its services, as well as with thousands of business firms.

Given the potential impact of this policy on businesses, **it is recommended:**

> **That the policy of withholding amounts on government cheques in compensation for tax debts be applied only to businesses that consistently default on their payments and whose debts are not contested.**

Reduce the time it takes to process contested assessments

In general, business people find that it takes far too long to process contested assessments. In their opinion, such delays are even more unjustified when they consider that assessments must be paid no later than 30 days after they have been mailed, even when they are contested. On average, 1.5% of assessments amended by the MRQ are contested. In 45% of these cases, amended assessments are reduced or cancelled after the appropriate documents have been filed.

According the MRQ, it has substantially reduced the time it takes to process notices of objection. Based on the latest available figures, 63% of regular files are now processed within the target time frame of 180 days, compared with 37% in the past. In the Advisory Panel's opinion, it is unacceptable to exceed the 180-day time limit, especially considering that assessed amounts have to be paid immediately.

The Advisory Panel recommends:

> **That the Ministère du Revenu provide better information on tax legislation in order to keep contested assessments to a minimum and implement measures to process all the notices of objection it receives within the 180-day period prescribed by existing legislation.**

Ease the policy of requiring payments to be made before judgments are rendered

Under Québec's tax legislation, taxpayers are obliged to pay amounts owed no later than 30 days after a notice of assessment has been mailed, even if the assessment is contested. This policy, which many taxpayers consider unfair, affects SMBs to a much greater extent than large businesses. The feeling of injustice is exacerbated by the difference that exists between the interest rates paid by the government on the amounts it refunds to taxpayers and those paid by taxpayers on the sums they owe the government. Moreover, taxpayers are required to pay tax on the interest they receive, but are unable to deduct the interest they pay. Federal tax authorities rarely demand that amounts owing under a notice of assessment be paid before a taxpayer has exercised all available remedies for contesting the assessment. They may demand that amounts be paid immediately only if a judge has issued an authorization for this purpose or it is presumed that the taxpayer plans to leave the country.

Consequently, **the Advisory Panel recommends:**

> **That the Québec government bring the rules it applies to Québec businesses, in regard to the payment of contested assessments, into line with those applied by the federal government.**

Last May 4, the Minister of Revenue announced that a bill to be tabled shortly in the National Assembly will provide for the suspension of collection measures when taxpayers contest assessments. The Advisory Panel can only endorse this measure, which will largely correct the problem raised above.

Ease the MRQ policy regarding government tax claims

Québec's tax legislation stipulates that government tax claims, including income tax deductions at source, which are deducted, withheld or collected by a business firm on behalf of the MRQ no longer form part of a business's assets once they have been deducted. Under federal bankruptcy and insolvency legislation, these sums are not part of the assets distributed to creditors and, therefore, in cases of bankruptcy, they must be remitted to the MRQ rather than to other creditors. As for other amounts owed to the department, they are treated like unsecured claims.

The federal government has announced its intention to amend the legislation concerned, particularly the *Bankruptcy and Insolvency Act*, to ensure that not only employee source deductions but also employer contributions and GST and QST that have been collected but not remitted to the government are treated as priority claims.

Business firms believe that this measure will have a negative impact on their financing, since financial institutions will probably require more stringent guarantees given that they will no longer be able to count on businesses using the above-mentioned sums to pay their debts.

The conditions applicable to Québec government tax claims also apply to amounts owed to the federal government, which has granted itself similar privileges. To keep the negative impact of the privileges associated with such claims on business financing to a minimum, both levels of government must agree to surrender these privileges, especially in cases involving fledgling businesses.

The Advisory Panel recommends that the Québec government:

> **Negotiate an agreement with the federal government to relegate tax claims in respect of businesses that are less than five years old to the same rank as unsecured claims held by other private or public creditors in order to make it easier for businesses to obtain financing when they are just starting up and during their first years of operation.**

Harmonize source deduction remittance dates with those applied by the federal government

The federal government allows businesses whose source deductions total $1 000 or less per month to make remittances on a quarterly rather than a monthly basis. Québec legislation has not yet been harmonized with this federal measure. Nevertheless, the Québec government allows firms whose annual remittances total $1 200 or less to make a single remittance per year. According to certain small businesses, the administrative streamlining entailed by the federal measure is largely offset by the fact that the Québec government generally continues to require monthly remittances of source deductions. Thousands of small Québec businesses would benefit if Québec's rules were harmonized with those of the federal government.

The Advisory Panel recommends:

> **That the Québec government harmonize its source deductions remittance policy with that of the federal government.**

Apply the policy of issuing draft assessments

When the MRQ audits business firms, it sends them a draft assessment before issuing an official assessment, except if an agreement has been already been reached with the taxpayer or mandatary concerned on corrections that must be made. This practice is highly appreciated by the business community because it prevents numerous objections. However, some firms complain that this policy is not always applied.

Consequently, **the Advisory Panel recommends:**

> **That the Ministère du Revenu be more consistent in applying its policy of issuing draft assessments.**

Stop sending forms to businesses if they so request

Some business owners complain about the large amount of correspondence they receive from the MRQ, consisting mainly of forms they consider unnecessary. This is often due to the fact that these business people deal with the department through professionals, such as accountants or lawyers, who already have the appropriate forms.

Consequently, **the Advisory Panel recommends:**

> **That the Ministère du Revenu stop sending forms to businesses if they so request and they justify their request.**

Reduce the administrative burden related to the hiring of seasonal workers

Many small businesses in Québec engage in seasonal activities, mainly in the tourism and agricultural sectors. When they try to apply the cumbersome administrative procedures prescribed by the government and particularly the MRQ for hiring workers for only a few weeks, they are sorely tempted to not hire anyone or to ask these employees to not report their work.

Given that the UPA has raised this question more often than other organizations in recent years, the MRQ is continuing to look for ways to facilitate the application of tax legislation by mandataries in seasonal sectors in close collaboration with its industrial partners.

The Advisory Panel recommends that the government:

> **Adopt measures to streamline the administrative requirements placed on businesses that operate in seasonal activity sectors.**

Better inform civil servants about the situation of businesses

Based on reports received by the Advisory Panel, the very rigorous application of certain fiscal rules in Québec and the finickiness of certain measures can lead business people to believe, rightly or wrongly, that some MRQ employees regard entrepreneurs as potential, if not, actual tax evaders. Apparently, despite the adoption of the taxpayer's charter of rights and the numerous client-oriented policies announced by the department, certain employees still do not realize that business firms work in partnership with the government in collecting its revenue and play an essential role in economic growth and job creation.

To remedy this situation, **the Advisory Panel recommends:**

> **That the Ministère du Revenu be asked to use all the means at its disposal, such as training and awareness programs, to ensure that its employees adopt a more positive attitude toward business people while continuing to apply tax legislation fairly.**

Given that both the Québec and federal governments are involved in collecting income tax and other taxes, business firms inevitably compare the systems that these two levels of government use. In addition, the media take every opportunity to make similar comparisons. Many interested parties believe that the MRQ has developed considerable expertise in tax collection and tax credit administration. However, when it comes to income tax collection, the Advisory Panel feels that businesses would benefit greatly if more resources were invested in training staff assigned to auditing activities at the MRQ.

Application of the *Act to foster the development of manpower training*

As mentioned earlier, several reports received by the Advisory Panel discussed the cumbersome administrative procedures arising from the *Act to foster the development of manpower training*. This Act, which came into effect in 1996, is designed to improve manpower skills through increased investment in training and the concerted action of all partners and thus foster employment, manpower adjustment, employment integration and labour mobility. It also requires all employers with a total payroll of over $ 250 000 to devote an amount equal to at least 1% of their payroll to employee training.

The Advisory Panel would first like to stress that despite the streamlining efforts of the Commission des partenaires du marché du travail, business firms, particularly SMBs, still see the Act as a major source of administrative irritants. Over 75% of the businesses consulted during a 1999 survey by the CFIB requested that the administrative procedures arising from this legislation be streamlined.

Reduce the requirements imposed on SMBs by the Act

In the Advisory Panel's opinion, it can be fairly complicated for businesses to complete all the procedures required under the Act. This is especially true for very small businesses that are administered by a single owner-manager and that do not have in-house resource people who are qualified to carry out this task. Although some of these formalities, such as the assessment of training needs, the preparation of training plans and the issuing of training certificates, are deemed essential by Emploi-Québec for achieving its goal of developing a training culture in businesses, they can be particularly demanding for small firms.

For example, to be considered eligible within the meaning of the Act (s. 6, para. 1(4)), expenditures made in respect of "transferable or qualifying" training, which is often provided by external resources, must be incurred as part of comprehensive or specific training plans implemented by a business. According to the guide available to business firms, a comprehensive training plan generally includes the following information: a description of the employer's strategic objectives and reasons for the plan, an assessment of training needs, a statement of priorities, specific training plans, a training schedule and follow-up measures. As for a specific training plan, it includes information on the problem situation linked to employees' training needs; the title of the training activity; the latter's objectives, duration, location, timetable and content; a description of learning objectives; the training method selected; and the instructor's name. Emploi-Québec informed the Advisory Panel that businesses do not really have to provide all of this information in their training plans. However, based on the instructions given in the current guide, it is not clear to SMBs that the plans they have to submit can be simpler than those described in that document.

Several other requirements, such as keeping a register and documentary records, which may be used, if necessary, to prove to the MRQ that a business has actually devoted an amount equal to at least 1% of its total payroll to training activities, can also seem cumbersome. According to some reports the Advisory Panel received from small businesses, particularly in the retail sector and the trucking industry, the latter find it difficult to identify and implement appropriate training

activities for their employees. For very small businesses subject to the "1% law", as the business community often calls it, this piece of legislation is a major source of irritants for which solutions must be found.

In this regard, the Advisory Panel would like to point out that, in its report of May 1998, it recommended that the government review the *Act to foster the development of manpower training* in order to introduce streamlining measures that could benefit SMBs and large businesses alike. In the wake of a proposal put forward by the Commission des partenaires du marché du travail, the government recently amended existing regulations to exempt, on certain conditions, businesses that devote over 2% of their total payroll to employee training from having to comply with certain administrative formalities, such as adopting a training plan and dealing with accredited training services. Although this measure has been well received in business circles, it may primarily benefit large businesses on account of the conditions it imposes. However, SMBs should also be able to profit from streamlining measures if they meet the objectives laid down in the Act.

The Advisory Panel realizes that Emploi-Québec and the Commission want to ensure the achievement of the Act's main objective, i.e. that workers receive transferable or qualifying training that not only helps them to do their job but also improves their employability and professional mobility. However, the Advisory Panel believes that this goal can be attained while keeping administrative requirements to a minimum. Under the Act, the Minister responsible for administering this statute must "make a report to the Government on the implementation of this Act and on the advisability of maintaining the Act in force or of amending it", by June 22, 2000. The Advisory Panel feels that the government should take advantage of this review to ask the Minister for proposals aimed at minimizing the administrative formalities arising from the Act, particularly for SMBs.

Consequently, **the Advisory Panel recommends that the government:**

> **Ask the Minister of State for Labour and Employment to propose, in the wake of the report she has to table by June 22, 2000 on the Act to foster the development of manpower training, specific measures to the government in order to reduce the administrative burden stemming from this Act, particularly for SMBs.**

The Advisory Panel also recommends:

> **That the revision of the guide on the application of the Act be completed as soon as possible so that this publication reflects the specific expectations of Emploi-Québec and the Commission des partenaires du marché du travail in regard to training plans and streamlines the administrative requirements arising from the Act with respect to such plans.**

Better coordinate Emploi-Québec and MRQ actions

Although the Minister responsible for Employment is entrusted with the application of the *Act to foster the development of manpower training*, Division II of Chapter II of this Act constitutes a fiscal law within the meaning of the *Act respecting the Ministère du Revenu*. The Minister of Revenue is thus responsible for applying this section.

The interpretation of fiscal laws is always a source of considerable uncertainty for the heads of business firms, considering the negative retroactive repercussions that can often result from new assessments made during MRQ audits. In this regard, some of the businesses firms consulted mentioned the different ways in which the MRQ and the former Société québécoise de développement de la main-d'œuvre had interpreted legislative provisions pertaining to the training tax credit, a situation that obliged certain SMBs to make substantial retroactive payments to the MRQ. Businesses are concerned that similar differences of opinion will emerge regarding the eligibility of certain training expenditures (e.g. for in-house training) incurred under the *Act to foster the development of manpower training*. It is estimated that nearly three quarters of SMBs' training expenditures are related to activities conducted on their premises.

Therefore, it is important to ensure that Emploi-Québec and the MRQ interpret the Act as consistently as possible with regard to eligible expenditures. Consequently, **the Advisory Panel recommends that the government:**

> **Introduce a consultation mechanism as soon as possible to allow Emploi-Québec and the Ministère du Revenu to agree on the exact nature of eligible expenditures under the Act, and that it ensure this information is supplied to business firms through, among other things, an interpretation bulletin prepared jointly by the Ministère du Revenu and Emploi-Québec.**

Examine other irritants arising from the Act

The Advisory Panel believes that the Minister responsible for preparing the report that must be submitted to the government by June 2000 should also be asked, within the scope of this exercise, to study the possibility of extending eligible training expenditures to source deductions paid (e.g. employment insurance and CSST contributions) while employees are being trained.

Businesses find it somewhat restrictive to have to systematically issue training certificates on an annual basis to employees who participate in in-house training activities. It should be mentioned,

however, that this requirement confirms the very legitimate right of employees to access their training file without having to comply with any further formalities.

Businesses also find it cumbersome to have to fill out and submit to Emploi-Québec what is known as the "Form to be Filled out by the Employer" (Formulaire à remplir par l'employeur), which is designed to provide general information on the training activities of a business firm and which supplements the information transmitted to the MRQ on the "Summary of Source Deductions and Employer Contributions Form" (Sommaire des retenues et des cotisations de l'employeur). Emploi-Québec is currently studying various scenarios for continuing to use the form to be filled out by the employer or allowing it to be filed along with a business's income tax return. It has assured the Advisory Panel that this is one of the questions that will be considered in the report to be tabled by the Minister of State for Labour and Employment by June 2000, especially since only a fairly small percentage of businesses fill out and file this form every year, i.e. roughly 50% of those subject to the Act.

Consequently, **the Advisory Panel recommends that the government:**

Ask the Minister of State for Labour and Employment, within the scope of the exercise that should lead to the tabling in June 2000 of a report on the implementation of the *Act to foster the development of manpower training*, to submit proposals to the government aimed at:

- **extending eligible training expenditures to some of the source deductions paid while employees undergo training;**
- **better coordinating the activities of the Ministère du Revenu and Emploi-Québec to allow the form that must be filled out by employers to be filed, if necessary, at the same time as a business firm's income tax return;**
- **streamlining, if possible, the process whereby training certificates are systematically issued by businesses that keep pertinent records on the training activities of their employees.**

Emploi-Québec and the Commission des partenaires du marché du travail claim that business firms' complaints about existing manpower training regulations stem from a poor understanding of the requirements arising from the Act. Emploi-Québec has therefore suggested that information and training activities for businesses be expanded significantly through its local employment centres network. The Advisory Panel can only endorse this initiative.

Application of the *Pay Equity Act*

The Advisory Panel has noted that the *Pay Equity Act*, passed in November 1996, is still a major source of concern for the heads of business firms. Several businesses that are currently implementing the first stage of the prescribed pay equity procedure, aimed at determining whether they have to pay wage adjustments as of November 21, 2001 and establishing the amount of these adjustments, find this procedure very complicated.

The Advisory Panel must mention, however, that the Commission de l'équité salariale has devoted considerable efforts so far to explaining the Act for which it is responsible. For example:

- several publications, including a fairly general document on the typical pay equity procedure, have been prepared, distributed to interested parties (200 000 copies) and published on the Internet;
- "aide-mémoire" cards have been sent to 57 000 business firms;
- advertisements have been placed in about 40 regional weeklies and in all of Québec's daily newspapers;
- more than 30 general training sessions have been offered, on a regular basis in Québec City and Montréal and on request in the regions;
- nearly 6 000 requests for information have been answered.

The Advisory Panel would also like to mention that the Commission has set up a pay equity advisory committee made up of representatives from interested groups, namely, women, employers and employees. In addition, it has published a guide on the application of the *Pay Equity Act* in the tourism sector and is preparing another for the clothing industry. The same type of guide has just been published as well for businesses with fewer than 50 employees.

However, in addition to highlighting the considerable efforts made by the Commission to date, the Advisory Panel would like to draw attention to a number of specific problems that affect certain types of businesses and that are likely to generate unnecessary delays and costs in the implementation of their pay equity procedure and even make it difficult to apply the *Pay Equity Act* by the prescribed deadline.

The Advisory Panel would like to stress that it does not intend to question or even discuss the requirement laid down in the Act to correct what is known as "systemic discrimination", nor does it plan to discuss the wage adjustments this requirement may entail. On the other hand, the Panel would like to question, as it has been mandated to do, some of the purely administrative aspects of

the new system and the administrative burden they entail. In this regard, it should be mentioned that, under the pay equity system, a business must compare jobs held mainly by women with different jobs held mainly by men. For example, the owner of a small machine shop for certain aircraft parts might have to compare secretarial jobs (a "predominantly female job class") with mechanics' jobs (a "predominantly male job class"). The purpose of this exercise is to assign values or points to the jobs compared, and if the structure of the salaries in question differs, to the detriment of predominantly female jobs, from that of the values or points assigned, businesses can then determine what wage adjustments have to be made.

Properly inform SMBs of their requirements under the Act

Apparently, it is very demanding for businesses that have 10 to 49 employees (roughly 36 000 firms according to a CSST estimate) to apply the *Pay Equity Act*. Based on all the reports received by the Advisory Panel, it does not seem very likely that a business of this size will be able to implement the pay equity procedure without the help of an expert. According to the information obtained, a small business would have to pay between $3 000 and $10 000 to hire a pay equity expert. In fact, should there be a lack of experts in this field owing to increased demand for their services – a situation that could prevail for a short time prior to the November 21, 2001 deadline – the cost of hiring such resource people would be even higher. It should also be stressed that completing the pay equity procedure is a long process, which involves not only employees but also the heads of businesses. Indeed, the latter would be well-advised to take all the time they need to gain a thorough understanding of the issues involved and the options available to them.

All told, it is estimated that it could cost $6 000 to $12 000 for each small business, or $200 million to $400 million for such businesses as a whole, to meet the administrative requirements arising from the Act.

Logically, the administrative burden stemming from the pay equity system should be considered to include, in addition to the above-mentioned factors, the possibility of having to readjust certain salaries within a business (e.g. for senior management positions, job classes that are neither predominantly female nor predominantly male) as an indirect result of the wage adjustments that have to be made to correct systemic discrimination per se. The pay equity system also imposes the requirement to "maintain" pay equity once the procedure has been completed and adjustments have been paid. This process may entail additional measures and studies if businesses eventually want to review the wage structure resulting from their initial pay equity procedure in order, for example, to adapt to new market requirements.

In short, the Advisory Panel estimates that the new system may engender fairly high administrative costs for small businesses. Steps must be taken to deal with this situation.

To that end, it is important to determine what tools are available to help businesses with fewer than 50 employees achieve pay equity. Although the Act requires that businesses of this size obtain results in this regard, it does not explain what procedure they should follow for this purpose. For small businesses to actually achieve pay equity, they must have access to an appropriate guide describing an approach that is likely to help them implement the prescribed procedure and that takes their size and particular situation into account.

When this report was being finalized, the Commission de l'équité salariale was distributing the guide it had just completed for small businesses on the application of the Act. It remains to be seen whether this guide will actually facilitate these businesses's task and limit the administrative costs generated by the system. It would be useful to verify this directly by contacting affected business firms after they have had time to consult the guide. Given the importance of this type of tool for achieving pay equity in small businesses, **the Advisory Panel recommends that the government ask the Commission de l'équité salariale:**

- **To contact the heads of a sample of small businesses within the next few weeks to determine whether the new guide on the application of the *Pay Equity Act* intended specifically for them explains in a clear and simple manner the measures and methods that may be used to achieve pay equity within their firm and whether the procedure can be applied without the help of external experts in order to minimize administrative costs;**
- **To make corrections or adjustments to the guide, if necessary.**

Without intending to blame the Commission, which went through a lengthy organization process, the Advisory Panel feels that it took a long time for it to publish the guide, considering the November 21, 2001 deadline and the fact that the Act has been in effect since 1996 and expressly requires the Commission to develop tools to facilitate the achievement of pay equity in businesses with fewer than 50 employees (s. 93, para. 9). An appropriate guide is necessary, especially since the Québec system seems to impose more requirements on small businesses than the Ontario system does and thus creates new challenges (in Ontario, businesses with fewer than 100 employees are considered small firms).

The Advisory Panel would also like to point out that the anticipated ripple effect on small businesses of the application of pay equity in

medium and large businesses (i.e. with 50 to 99, or 100 or more employees) does not seem to have occurred, no doubt because of the problems the latter are encountering in implementing the Act, some of which will be discussed below. Under these circumstances, the Advisory Panel believes that it might be wise to postpone the application of the Pay Equity Act in small businesses for one year.

Consequently, **the Advisory Panel recommends:**

> **That the government study the possibility of submitting a bill to the National Assembly to amend the Pay Equity Act in order to postpone for one year, i.e. until November 21, 2002, the application of the requirement that businesses with 10 to 49 employees must have finished determining the wage adjustments needed to achieve pay equity, given that the guide on the application of the Act intended for such businesses has only just been published and still needs to be explained by the Commission.**

Streamline certain formalities for medium and large businesses

By November 21, 1996, 150 businesses in Québec considered that they had finished implementing all or most of their pay equity plan. However, many of them, probably some of the largest, are still awaiting a final decision from the Commission de l'équité salariale on whether or not they have complied with all the necessary formalities. As allowed under the Act, they had asked the Commission prior to November 21, 1998 to check whether their plan was appropriate so as to avoid having to start the entire exercise over again. During the consultations, these businesses pointed out the uncertainty of the situation in which they now find themselves, given that it is not clear whether the Commission will systematically allow firms whose plan it deems inappropriate all the time they need to take the necessary corrective measures (s. 121).

The application of the *Pay Equity Act* entails special problems for businesses that have 50 to 99 employees (nearly 4 800 in Québec) and for those with 100 or more employees (nearly 4 300). Not only is this point important for those businesses, but as mentioned above, the implementation of pay equity in businesses of this size is generally expected to have a major ripple effect on businesses with fewer than 50 employees.

While for small businesses, the Act merely stipulates that they must achieve pay equity, it explains in detail, for businesses with 50 to 99 employees, the "plan" they must implement for this purpose. It is even more explicit with regard to firms with 100 or more employees, providing not only for the plan but also for the creation of a "pay equity committee" within the business. The Act includes several administrative provisions pertaining to the establishment of pay equity plans and to the creation and operation of the committees involved in establishing them. According to many business firms, the very principle of a single plan per business is somewhat restrictive. Basically, it leads to an extensive comparative exercise involving all the predominantly female job classes and predominantly male job classes within a firm. In practice, however, working conditions within individual businesses might be quite varied and not lend themselves very well to type of this exercise. Under these circumstances, the work of a pay equity committee can progress very slowly.

There is one major exception to the principle of one plan per business. An employer may, at the request of a certified association representing some of the employees of his or her business firm, establish a pay equity plan that is applicable to those employees (s. 11), thus leading to the creation of two or more plans and as many pay equity committees in the firm. Job class comparisons within the business are thus made initially in groups where working conditions are inevitably more homogeneous than throughout the firm as a whole. Therefore, they are less likely to seriously delay the application of the Act or prevent it from being implemented by the prescribed deadline. In such situations, the Act is very effective. If, in a particular group, there are no predominantly male job classes that can be compared with the predominantly female job classes concerned, the latter may be compared with other male job classes in the business (s. 52).

As mentioned above, a separate pay equity plan may be established merely at the request of a certified association. No justifications or studies are required. Obviously, establishing several pay equity plans within a business firm in no way jeopardizes the achievement of the objectives of the Act. Under Ontario's *Pay Equity Act*, employers can establish as many pay equity plans as there are certified associations in their business.

Businesses do not contest the right of certified associations to request separate pay equity plans under the Act (s. 11). On the contrary, they would simply like the Act to grant them the same option. Many businesses may decide that they would be able to conduct their pay equity exercise more efficiently and rapidly if they established more narrowly targeted plans and committees. At least, they would like to be able to ask the Commission for authorization to do so. Based on reports received during the consultations, the current lack of flexibility in this regard is undoubtedly delaying the implementation of the Act.

Businesses also drew the Advisory Panel's attention to certain other questions that they consider important. For example, they mentioned the risk, highlighted many times in the past, that salaries might be disclosed during the job evaluation

process, despite the confidentiality provisions included in the Act. They also asked how an employee who has been hired on account of specific skills can, as a member of a business's pay equity committee, evaluate jobs that he or she is not really familiar with (e.g. how can a welder evaluate office jobs?). They wanted to know whether they could hire a job evaluation expert certified by the government in such situations and take account of his advice. They also asked whether it would be possible to simplify job comparison methods.

The Advisory Panel can only sympathize with these concerns. Its aim is not to undermine the pay equity system but to strive to identify solutions of a somewhat limited scope that will nevertheless facilitate the system's implementation in businesses.

Consequently, **the Advisory Panel recommends**:

> **That the government set up a task force of experts to rapidly study ways to resolve the main problems delaying the implementation of the pay equity system in medium and large businesses, beginning with the possibility of easing the principle of one pay equity plan per business.**

Application of the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*

The Inspecteur général des institutions financières (IGIF) has administered the register of Québec business firms since 1994. This is a public business register which contains general information filed by business firms that do business in Québec. As readers will recall, the adoption of the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons* sparked vigorous protests within the business community, mainly from small businesses whose judicial form of organization did not correspond to that of a limited company or any other form of legal person. With the introduction of this legislation, certain sole proprietors and most partnerships were required to comply with new formalities: they had to register with the business register and file an annual declaration to update the information it contained. Since the adoption of these procedures, business people have often mentioned the administrative burden occasioned by the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*. In particular, they affirm that the fees charged to file annual declarations constitute a hidden tax and that the information submitted is only used for public administration purposes.

Viewpoint of labour union members

"We do not agree with certain aspects of the Advisory Panel's analysis of the pay equity system, and we totally disagree with most of its recommendations in this regard.

We are aware of the problems encountered by the Commission de l'équité salariale in organizing and launching its activities. The Act has imposed a major shift in the wage culture of businesses, which will not always be easy to apply. Nevertheless, we do not believe it is necessary for all businesses with 10 to 49 employees to hire an "external" expert to achieve pay equity. Often, such experts merely complicate the procedure further, without necessarily ensuring that pay equity will actually be achieved. In our opinion, the guide just published by the Commission for such businesses will help them to a greater extent to simplify their approach.

Under the Act, businesses have four years to implement the pay equity procedure before they have to pay wage adjustments, and we are opposed to any postponement of the prescribed deadline that would further penalize women workers.

Such questions as pay equity committees in businesses, separate plans and confidentiality of information were all discussed at length before being included in the final version of the Act.

The Commission de l'équité salariale has already set up a consultative technical committee consisting of representatives of employers, unions and women's groups to deal with any problems that might arise in implementing the Act. It is up to this committee to pursue this work...which is why we are opposed to the creation of a new task force."

[Translation]

Claude Rioux and Émile Vallée

process, despite the confidentiality provisions included in the Act. They also asked how an employee who has been hired on account of specific skills can, as a member of a business's pay equity committee, evaluate jobs that he or she is not really familiar with (e.g. how can a welder evaluate office jobs?) They wanted to know whether they could hire a job evaluation expert certified by the government in such situations and take account of his advice. They also asked whether it would be possible to simplify job comparison methods.

The Advisory Panel can only sympathize with these concerns. Its aim is not to undermine the pay equity system but to strive to identify solutions of a somewhat limited scope that will nevertheless facilitate the system's implementation in businesses.

Consequently, **the Advisory Panel recommends:**

> **That the government set up a task force of experts to rapidly study ways to resolve the main problems delaying the implementation of the pay equity system in medium and large businesses, beginning with the possibility of easing the principle of one pay equity plan per business.**

Application of the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*

The Inspecteur général des institutions financières (IGIF) has administered the register of Québec business firms since 1994. This is a public business register which contains general information filed by business firms that do business in Québec. As readers will recall, the adoption of the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons* sparked vigorous protests within the business community, mainly from small businesses whose judicial form of organization did not correspond to that of a limited company or any other form of legal person. With the introduction of this legislation, certain sole proprietors and most partnerships were required to comply with new formalities: they had to register with the business register and file an annual declaration to update the information it contained. Since the adoption of these procedures, business people have often mentioned the administrative burden occasioned by the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*. In particular, they affirm that the fees charged to file annual declarations constitute a hidden tax and that the information submitted is only used for public administration purposes.

Viewpoint of labour union members

"We do not agree with certain aspects of the Advisory Panel's analysis of the pay equity system, and we totally disagree with most of its recommendations in this regard.

We are aware of the problems encountered by the Commission de l'équité salariale in organizing and launching its activities. The Act has imposed a major shift in the wage culture of businesses, which will not always be easy to apply. Nevertheless, we do not believe it is necessary for all businesses with 10 to 49 employees to hire an "external" expert to achieve pay equity. Often, such experts merely complicate the procedure further, without necessarily ensuring that pay equity will actually be achieved. In our opinion, the guide just published by the Commission for such businesses will help them to a greater extent to simplify their approach.

Under the Act, businesses have four years to implement the pay equity procedure before they have to pay wage adjustments, and we are opposed to any postponement of the prescribed deadline that would further penalize women workers.

Such questions as pay equity committees in businesses, separate plans and confidentiality of information were all discussed at length before being included in the final version of the Act.

The Commission de l'équité salariale has already set up a consultative technical committee consisting of representatives of employers, unions and women's groups to deal with any problems that might arise in implementing the Act. It is up to this committee to pursue this work...which is why we are opposed to the creation of a new task force."

[Translation]

Claude Rioux and Émile Vallée

Integrate annual declarations to the IGIF into income tax returns

In its May 1998 report, the Advisory Panel recommended that the annual declaration which businesses have to file with the IGIF be integrated into the C-17 and TP-1 income tax returns submitted to the MRQ. To date, there is no indication that steps are being taken to implement this streamlining measure.

When we discussed this question with the IGIF, it said that it was a priori in favour of this proposal. It indicated, however, that this measure could entail revenue losses of $11.9 million for the government the first year and $2.7 million on a recurring basis thereafter. Consequently, it preferred an alternative solution involving the information highway.

The Advisory Panel has been informed that the estimated impact of this proposal is based primarily on a similar experience under the federal system. However, the Panel finds it difficult to imagine that the federal situation is absolutely identical to that of Québec and could generate such substantial losses.

Even though the Advisory Panel is not insensitive to the potential impact of the proposed measure, it still believes that annual declarations to the IGIF must be integrated into income tax returns. Nevertheless, it suggests that unincorporated businesses (roughly 215 000) should be the first to benefit, especially since no legal amendments would be necessary in their case and the financial impact would be limited given that they have to file their annual declaration and income tax return on the same date. We realize, however, that the IGIF would have to envisage a regulatory amendment for legal persons (about 350 000) in order to change the filing date for their annual declaration since it does not correspond to that stipulated in the tax regulations for corporate income tax returns. The Panel still believes that integrating these forms not only would reduce the administrative burden on businesses but also might encourage the latter to file their annual declaration and thus help to reduce the number of firms that the IGIF strikes from the register every year.

Consequently, **the Advisory Panel recommends:**

> **That the government give the Inspecteur général des institutions financières, which is responsible for applying the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*, a mandate to integrate, in the short term, the annual declaration that business firms have to file under the Act into their corporate income tax return, and that this measure be initially applied to businesses that do not constitute legal persons.**

Extend the application of the single business number

In the wake of the March 1997 Budget Speech, the IGIF was entrusted with the task of facilitating the implementation of a single business number that all firms doing business in Québec would be able to use in their dealings with the Québec government. This measure was considered necessary since each department and agency had developed its own file numbering system over the years and businesses therefore had several different identification numbers. The main consequence, however, was that businesses had to repeat, in dealing with each government body, the same information regarding their identity, the identity of the members of their board of directors and the address of their place of business or head offices.

It is taking time for the effects of the implementation of the Québec business number to be felt. The Advisory Panel has noted that the number is valid in only a limited number of departments and agencies and that it has not relieved businesses of the obligation to constantly provide many departments and agencies with the same information or with copies of the same documents (e.g. articles of incorporation, declarations of registration filed with the register, the make-up of their board of directors). However, most of these departments and agencies can access the IGIF's register electronically and thus locate these data rapidly. Businesses should not have to systematically repeat this information in their dealings with the government, especially since such data are public within the meaning of the Act. These practices generate unnecessary costs for businesses and are a source of administrative irritants. In the Advisory Panel's opinion, such irritants could be reduced significantly if all Québec government departments and agencies, municipalities and the federal government made more use of the information filed with the register.

The Advisory Panel has also noted that the IGIF has not implemented all the means provided for in the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons* that would make it easier to update the business register.

Certain provisions of the Act stipulate that the IGIF may conclude agreements with any department or agency that receives information similar to that filed with the IGIF under the laws the department or agency administers. The purpose of such agreements is to allow this information to be transferred to the business register. When arrangements of this type exist, businesses no longer have to systematically file amending declarations with the register, since the Act contains an express exemption in this regard. In addition to preventing the duplication of administrative formalities for businesses, this

measure has the advantage of allowing the data-bank to be updated more rapidly, for the benefit of all who consult it (individuals, businesses, government departments and agencies, etc.). The Advisory Panel feels that the IGIF should immediately take advantage of the opportunity provided by the Act to reduce the administrative burden on businesses, while respecting the government's desire to protect the confidentiality of information.

Consequently, **the Advisory Panel recommends that the government:**

> **Mandate the Inspecteur général des institutions financières to ensure that everything possible is done to extend the government policy of a single business number to all departments and agencies and that every business firm can eventually use a single identifier in dealing with all of these bodies through electronic or other means.**

The Advisory Panel also recommends that the government:

> **Ask the Inspecteur général des institutions financières to rapidly conclude agreements with its government partners so that they can readily gain access to the information available at the Inspecteur général des institutions financières and help to update the business register in accordance with the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*.**

Minimize the impact of striking businesses from the register

As mentioned above, the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons stipulates that businesses will be struck from the business register if they do not file an annual declaration two years in a row. The Advisory Panel heard about a number of businesses that were in this situation, and would like to mention some of the often regrettable consequences of being officially struck from the register. In particular, it leads to the dissolution of companies incorporated under Québec legislation, thus making them technically unable to operate, and generates substantial costs for firms that wish to regularize their situation. Furthermore, applying this measure when businesses are still in operation can sometimes discourage them, especially if they are small, from starting up their activities again on account of the costs involved. Therefore, the Advisory Panel feels that the IGIF should do everything in its power to properly inform Québec businesses of the consequences before it strikes them from the register. This approach seems particularly necessary given that the IGIF strikes nearly 50 000 business firms from the register every year.

Consequently, **the Advisory Panel recommends that the government:**

> **Ask the Inspecteur général des institutions financières to do everything in its power (e.g. publish the names of affected businesses on its Internet site) to identify and better inform firms that risk being struck from the business register.**

Lastly, the Advisory Panel would like to mention that in recent months, the IGIF has made major improvements in its client services, in particular by substantially increasing the use of new information and communications technology (NICT). For example, it recently announced that, as of April 1, 2000, clients will be able to consult the business register free of charge. This measure will further alleviate the difficulty of contacting the IGIF by telephone, a problem for which it has often been criticized in the past.

SOLUTIONS PROPOSED FOR SECTORAL REGULATIONS

In addition to examining the administrative requirements arising from regulations targeting a large share of Québec businesses, the Advisory Panel has looked at other irritants occasioned by regulations applicable to six sectors of economic activity in Québec, namely, the construction industry, the hotel and restaurant industry, the agrifood sector, the forest industry, outfitting and the petroleum product distribution sector.

Regulations applicable to the construction industry

As mentioned earlier, three associations stressed that entrepreneurs who plan to work in the construction industry or are already active in this sector have to shoulder a hefty administrative burden.

They decried the large number of private and government (i.e. federal, Québec and municipal) bodies involved and the plethora of administrative procedures required under existing regulations. These problems are encountered not only by entrepreneurs who wish to start up a business (4 000 to 5 000 per year), but also by businesses that are already in operation (about 28 000). Both present and prospective entrepreneurs have to deal with the following departments and agencies within the Québec government alone: the Inspecteur général des institutions financières (IGIF), the Régie du bâtiment du Québec (RBQ), the Commission de la construction du Québec (CCQ), the Commission de la santé et de la sécurite du travail (CSST), the Société de l'assurance automobile du Québec (SAAQ), the Ministère du Revenu du Québec (MRQ) and, in some cases, the Office de la protection du consommateur (OPC).

To make life easier for prospective construction contractors having to work in the residential sector, it has been suggested that full responsibility for their qualification be entrusted to private players, namely, the guaranty plan managers currently responsible for the financial aspects of the qualification process. It has also been proposed that construction companies already in operation be allowed to group certain monthly remittances, that is, those made to the CCQ, the CSST and the CCRA, with those they send to the MRQ. The latter department would be responsible for redistributing them to the main interested parties.

Set up one-stop service outlets for the construction industry

The Advisory Panel discussed this question with the Ministère du Travail and the RBQ. Apparently, certain problems would arise if full responsibility for the qualification of construction contractors in the residential sector were entrusted to guaranty plan managers and the RBQ were relieved of its responsibilities in this regard.

First of all, this transfer of responsibilities would not simplify the task of those who work in both the residential sector and another field of construction and who must qualify in both areas.

Second, the proposed transfer is linked to the introduction of a compulsory guaranty plan for residential renovation work. Under this system, renovation contractors, like new housing contractors, would apparently be able to settle all their qualification problems with a single plan manager (i.e. a one-stop service outlet). However, the system would also involve the adoption of new far-reaching regulatory controls by the Québec government, a measure that the Advisory Panel on Regulatory Reform finds difficult to endorse in view of its current mandate.

The Advisory Panel also examined the possibility of grouping certain monthly remittances (CCQ, CSST, CCRA) with those sent to the MRQ. This department already does an efficient job of collecting contributions owed to the Québec Pension Plan (QPP), the Health Services Fund (HSF), the Fonds national de formation de la main-d'œuvre (FNFMO) and the Commission des normes du travail (CNT). Since this centralized collection process greatly simplifies the work of employers, the proposal to add CCQ and CSST contributions to those already sent to the MRQ seemed perfectly legitimate.

However, the proposed grouping of monthly remittances would also involve certain problems. The fact that the MRQ can efficiently shoulder the mandatary duties of the RRQ, the HSF, the FNFMO and the CNT in addition to its own responsibilities is primarily due to the relative "ease" with which these additional collection responsibilities can be exercised – a situation mainly attributable to the single contribution rate applied under each of these systems. However, several different types of contribution exist under the CCQ system, most of which are set in sectoral collective agreements, and their rates can vary depending on the sector of activity, occupations or trades concerned and, in some cases, the geographic location of jobs. It would be very difficult for the MRQ to take on the additional task of collecting contributions under this system. In addition, union associations would probably view the collection of union dues by the MRQ as a form of "interference", but it would be

impossible to separate the collection of such dues from the collection of other CCQ contributions. For there to be a real reduction in the administrative burden on businesses, all CCQ contributions and monthly levies would have to be collected by the MRQ. This, therefore, is another major obstacle to the grouping of monthly remittances.

A similar situation prevails with regard to CSST contributions given that their rate varies depending on the level of risk associated with the category to which a business belongs, the contribution system applicable to it, its occupational health and safety record, and so forth.

Another course of action studied in depth by the Advisory Panel is the possibility of setting up one-stop service outlets at the RBQ in order to simplify administrative procedures for construction companies as much as possible.

The Panel asked the Ministère du Travail and the RBQ to study, in particular, the one-stop service outlets set up by the Commission des transports du Québec (CTQ) for the benefit of carriers. These outlets offer several services: for example, in addition to issuing licences, they can initiate the registration of carriers with the IGIF, submit registration applications as employers to the CSST and look after GST-QST application forms on behalf of the MRQ. CTQ one-stop service outlets also deliver certain services to carriers that are already in operation.

The Advisory Panel feels that efforts to decompartmentalize departmental responsibilities as much as possible should be pursued for the benefit of construction companies.

Consequently, **the Advisory Panel recommends that the government:**

> **Give the Minister of State for Labour and Employment a mandate to set up one-stop service outlets for construction businesses in order to simplify the administrative procedures they have to follow.**

The Advisory Panel proposes that the sole purpose of these outlets should be to ease the administrative formalities (e.g. registration, permits, payments) imposed on construction companies that are just starting up or are already in operation. Initially, of course, the outlets would give priority to fledgling businesses.

The Advisory Panel realizes that the legislation which established the body that would be responsible for these one-stop service outlets might have to be amended to establish this agency's new responsibilities and authorize it to negotiate agreements with departments, agencies or different levels of government to allow or facilitate the exercise of these duties.

Adopt a single set of building standards

In learning about other administrative constraints affecting the construction industry, the Advisory Panel was particularly struck by the lack of uniformity in building standards in Québec.

At present, several bodies play a role in regulating this sector. The RBQ, for its part, proposes and implements building standards applicable to "public buildings" throughout Québec, while cities and municipalities have the right to lay down and apply superior or even equivalent standards for such buildings within their respective territories. Furthermore, cities and municipalities have the exclusive right to lay down and apply building standards for smaller buildings, mainly small commercial buildings, small industrial buildings and residential buildings. For this purpose, some cities use the national *Building Code* adopted in 1990 and others the 1995 *Code*, while some do not refer to any code at all. In the end, this system engenders a lack of uniformity in building standards, which obliges construction contractors to make numerous verifications and unduly increases the administration burden and thus the construction costs they have to bear.

Under the *Building Act*, it is possible for the government to adopt a building code applicable to all buildings in Québec. Consequently, the Advisory Panel is requesting that such a code be adopted to establish a single set of building standards.

However, the Advisory Panel has noted that the government has already published a draft *Building Code* in the *Gazette officielle du Québec*, which would apply to buildings throughout Québec. Meanwhile, it has also published a draft regulation that would exempt small buildings from the application of the code. If both proposals are brought into effect, the problem of lack of uniformity in building standards for small buildings would persist.

It is important to understand that if the government adopts the *Building Code* without exempting small buildings, the RBQ will inevitably be entrusted with applying it to buildings of this size as well as to other types of buildings. Therefore, this agency is trying to work out prior arrangements with cities and municipalities regarding responsibility for applying the code within the framework of the delegation agreements provided for this purpose in the *Building Act*. Discussions on this question, which have so far involved the various associations of Québec municipalities, have prompted the latter to request a financial contribution from the government.

The Advisory Panel does not want to interfere in these discussions between the government and the municipalities. It would simply like to point out that a single set of building standards already exists in the form of a building code that is applicable to

all types of buildings and has already been published. In addition, the resources and expertise needed to implement it seem to be available at the local level, based on the municipal resources currently assigned to applying building standards and the private resources administered by guaranty plan managers, who must ensure, among other things, that construction work complies with municipal building standards in the major sector of new residential construction.

Consequently, **the Advisory Panel recommends:**

> **That the government adopt the *Building Code* already published in the *Gazette officielle du Québec* for the purpose of applying it to the construction of all buildings in Québec and establishing a single set of building standards.**

Regulations applicable to liquor permit holders

Since the beginning of its mandate, the Advisory Panel has received numerous reports on the burdensome administrative procedures arising from the *Act respecting liquor permits* and the *Act respecting offences relating to alcoholic beverages*. The businesses affected are often small firms and operate mainly in the hotel and restaurant industry. It is estimated that a total of nearly 15 000 businesses in this sector are subject to the regulatory controls applicable to the sale and serving of alcohol.

Streamline the issuing of liquor permits

If businesses in the hotel and restaurant industry want to sell or serve liquor, they have to obtain a permit from the Régie des alcools, des courses et des jeux (RACJ).

To begin with, the Advisory Panel would like to point out that, under the *Act respecting liquor permits*, businesses have to hold a liquor permit for each room in an establishment where alcoholic beverages may be served. They may also have to obtain other authorizations or permits if they want to set up an outdoor terrace, show movies, present shows or simply allow customers to dance. Therefore, a given establishment may be required to obtain several permits – an obligation that generates considerable costs for small businesses on a yearly basis. For example, a restaurant that has a seating capacity of 120, serves alcohol in a dining room, in a bar and on a terrace and has an area where customers can dance has to apply for three separate liquor permits and an additional authorization for dancing. Like the various associations in the hotel and restaurant industry, the Advisory Panel feels that the *Act respecting liquor permits* should be amended so that establishments need only obtain one permit for selling and serving alcohol and that this permit grant them the option of selling and serving such beverages on a terrace or in a waiting area and release them of the obligation to obtain additional authorizations to show movies, present shows or allow customers to dance.

The RACJ acknowledges that the conditions for operating a business in the hotel and restaurant sector have changed considerably while the applicable legislation has not kept pace. The new types of establishments that hold liquor permits (e.g. restaurants offering bar service to their customers, large multi-storey restaurants, hotels with several bars and restaurants, campgrounds with bars, restaurants and convenience stores that sell alcoholic beverages on-site) call for new approaches to managing and monitoring permits. Aware of this situation, the RACJ has said that it is prepared to review its policy of issuing a separate liquor permit for every room in an establishment in order to introduce a policy requiring only one permit per establishment. Under this new system, establishments could be evaluated on the basis of their seating capacity per floor rather than per room. Nevertheless, the Advisory Panel feels that only one liquor permit should be required for each establishment and not for each floor.

Since this measure might help to reduce the administrative burden on businesses in the hotel and restaurant industry without jeopardizing the fulfilment of the RACJ's mission, notably public safety and protection, **the Advisory Panel recommends:**

> **That the system of issuing a separate liquor permit for each room in an establishment be reviewed as soon as possible in order to introduce a system requiring only one permit per establishment, which would cover not only the establishment's main activities but also other related activities (dancing, shows and movies) and the operation of a terrace, and that this review be aimed at reducing the regulatory and administrative burden on businesses in this sector.**

The Advisory Panel also feels that there are too many categories of liquor permits and that this makes the application of existing regulations cumbersome and, above all, confusing for liquor permit applicants. Some of the parties consulted told the Panel that a number of these permits should be combined since the conditions for operating the kind of establishment to which they apply no longer justify the distinctions each type of permit was originally intended to make.

The RACJ has said that it is prepared to propose legislative amendments aimed at combining four types of permit into one, namely, those issued to operate a bar, a public house or "pub", a tavern or a club. In addition to reducing the number of permit categories, this measure would simplify operating conditions for licensed establishments

with regard to business hours, statutory holidays and the types of alcoholic beverages they may serve. The RACJ has also indicated that the applicable draft legislation could be ready for government approval by fall 2000.

In the same vein, the RACJ has also put forward a proposal to combine two other permits with a view to simplifying procedures for its clients; the permits concerned are the reunion permit for serving alcoholic beverages and the reunion permit for selling alcoholic beverages. This would reduce the total number of liquor permits from 12 to 7.

The Advisory Panel recommends that the government:

> **Mandate the Régie des alcools, des courses et des jeux to implement measures as soon as possible and before the work aimed at overhauling the current liquor permit issuing system is completed in order to combine bar, pub, tavern and club permits into a single permit, while giving priority to simplifying operating conditions for permit holders, and to group the reunion permits for selling and serving alcoholic beverages.**

The RACJ is thinking of implementing various administrative measures to improve client services, such as introducing an electronic payment system for collecting duties, publishing its recently simplified liquor permit application form on its Internet site and improving telephone services by setting up a call centre that would substantially increase the number of calls answered compared with the number received. The Advisory Panel can only support these initiatives.

Simplify the application of the *Act respecting offences relating to alcoholic beverages*

The Advisory Panel has also been informed of problems relating to the application of certain legislative provisions pertaining to the acquisition, conservation and storage of alcoholic beverages. These requirements are very restrictive for liquor permit holders and place significant limitations on the liquor service practices generally accepted in this sector. As presently applied and interpreted, such practices readily constitute offences liable to fines before the Court of Québec and can even lead, in some cases, to the suspension of liquor permits by the RACJ. Businesses rightly assert that some of these offences do not justify the suspension of permits.

Associations representing the hotel and restaurant industry drew the Advisory Panel's attention to the following:

- Placing a stamp on a bottle is not the best way of proving that alcoholic beverages have been purchased from the Société des alcools du Québec (SAQ) or from an authorized supplier since this stamp can deteriorate or fall off. In practice, the SAQ asks permit holders to check their stock of alcoholic beverages regularly and to destroy any bottles that no longer have a stamp. The associations suggested that the SAQ use a more modern proof-of-purchase system involving, for example, engraved bottles or plastified stamps.
- In the day-to-day management of an establishment that holds a liquor permit, certain common practices related to the serving of alcohol should be allowed: for example, pouring glasses of wine or filling carafes with "house" wine (purchased in 20-litre containers) prior to the arrival of large groups. However, keeping alcoholic beverages in containers other than those in which they were purchased is an offence within the meaning of the *Act respecting offences relating to alcoholic beverages* – a situation that leaves liquor permit holders little flexibility.
- It is also illegal for an establishment that holds a liquor permit to prepare mixed alcoholic beverages in advance since the Act stipulates that such beverages must be prepared in front of customers. Consequently, hotel operators cannot, for example, prepare a punch for a reception beforehand; they must also refuse to serve customers who wish to drink such beverages in their room.
- Other problems brought to the Advisory Panel's attention concern unstamped bottles received as gifts from promotional agents, alcohol used for preparing food, decorative bottles and so forth.

The members of the Advisory Panel have discussed these often finicky restrictions with the RACJ. In the latter's opinion, the parties concerned must first strive to elaborate administrative solutions before envisaging legislative ones. The RACJ has thus proposed the creation of a task force made up of representatives of the main stakeholders in the industry affected by these problems, as well as certain government partners, particularly the Ministère de la Sécurité publique, which is responsible for administering the *Act respecting offences relating to alcoholic beverages*, and the SAQ, which is in charge of stamping. This task force has been mandated to formulate recommendations that take into account the need for government monitoring of the purchase, conservation and storage of alcoholic beverages, and the goal of making life easier for businesses. Apparently, efforts will be made to implement the group's recommendations rapidly in order to solve the problems identified by the industry.

The Advisory Panel can only support such a concerted approach which, in its opinion, is most likely to

generate solutions that can be applied in establishments and that conform to the government's regulatory framework.

Consequently, **the Advisory Panel recommends:**

> **That once efforts to find ways of resolving the problems relating to the application of legislative provisions concerning the acquisition, conservation and storage of alcoholic beverages have been completed, the government take steps to ensure the Régie des alcools, des courses et des jeux rapidly implements concrete administrative streamlining proposals stemming from the report of the task force it chairs.**

Lastly, the RACJ has recommended that a directive be formulated for all liquor permit holders to define the tolerance criteria it uses in deciding to suspend or revoke liquor permits. If permit holders are properly informed when they receive their liquor permit of their obligations and the penalties that may be imposed if they fail to meet them, the RACJ believes that it would be fairer towards them when its members assess evidence.

Regulations applicable to the agrifood sector

During the consultations held by the Advisory Panel, associations representing farm producers and food product manufacturers mentioned a number of irritants common to all economic sectors, such as finicky controls, the application of tax legislation, environmental regulations and the plethora of parties involved. Several irritants, which are not confined to the agrifood sector, have been discussed elsewhere in this report.

However, these associations also raised a number of issues relating more specifically to the regulation of the agrifood industry. The Advisory Panel examined two of these questions, namely, regulatory requirements for dairy product containers and the application of the *Veterinary Surgeons Act*.

Streamline certain provisions of the *Veterinary Surgeons Act*

The UPA informed the Advisory Panel that farmers and animal breeders are not very comfortable with certain provisions of the *Veterinary Surgeons Act*.

Under the Act, farmers and breeders cannot perform certain procedures or treatments on their animals despite the fact that these activities do not entail major risks for animals or require advanced training. To comply with the Act, Québec farmers and breeders must hire the services of a veterinary surgeon for such common practices as trimming hooves, removing calluses, extracting teeth and castration. Therefore, the UPA has asked that farmers be allowed to perform such procedures, which are part of their everyday activities. They would also like the legislation to be eased to allow breeding farm owners, their employees and the technicians they hire to administer veterinary medications and implant embryos under certain conditions.

The wishes expressed by the UPA are based on the fact that farmers and breeders in several other provinces are legally authorized to perform procedures of this type and thus have a competitive advantage over Québec producers. There is no need to point out that breeding accounts for a large share of Québec's farm economy: in 1997, dairy, hog, cattle and poultry farms generated total revenues of $3.2 billion.

Modernizing the Act is a conceivable solution since technological advances now make it easier to engage in certain activities that were once the domain of experts. A few years ago, non-specialists were authorized in a similar context to do artificial insemination.

The Office des professions du Québec (OPQ) and the main groups concerned are willing to modernize the Act to some extent provided, of course, that animal protection is not called into question. This exercise would allow farmers and breeders to comply with the Act while bolstering the competitiveness of Québec farms.

Consequently, **the Advisory Panel recommends that the government:**

> **Ask the Office des professions du Québec to modernize the *Veterinary Surgeons Act* as soon as possible in order to allow farmers and breeders to use the widest possible range of veterinary treatments and medications.**

Review the regulations applicable to dairy product containers

The regulatory requirements for dairy product containers and labelling are laid down in the *Regulation respecting the composition, packaging and labelling of dairy products*, adopted pursuant to the *Dairy Products and Dairy Products Substitutes Act*.

In 1998, regulatory requirements for dairy product containers were streamlined substantially, leading to the elimination of all those concerning containers for solid products, except butter, for which some rules were maintained.

In addition, all regulations pertaining to liquid products were repealed, except those concerning fluid and acidulated milk. Certain requirements for fluid milk have nonetheless been streamlined, with the result, for example, that 15 to 500-millilitre formats are no longer regulated. However, the use of containers with a capacity of less than 15 millilitres (single-serve cartons) is prohibited.

According to figures for 1996, Québec has 22 fluid milk and cream processing establishments, which have approximately 2 500 employees and post sales of roughly $1 billion per year. Other dairy products, such as cheese, yoghurt, powdered milk and butter, are produced by 52 establishments that have 5 000 employees and annual sales of about $2.7 billion. These processing establishments belong to around a dozen businesses, the two largest of which control about 85% of the market.

According to figures for 1997 from the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ), Québec is a net exporter of dairy products. Its dairy product exports amount to $207 million, while its imports represent $91 million. Dairy exports account for roughly 5.5% of Québec's total dairy product output, and cheese makes up 45% of such exports.

Although it acknowledges that such issues constitute regulatory matters rather than administrative irritants, the Quebec Food Processors Association (QFPA) has recommended that regulatory requirements for dairy product containers be eliminated and that labelling regulations be harmonized with those of the other provinces. This association stressed that such regulatory restrictions increase production costs and thus affect the competitiveness of Québec's business firms. Most Québec dairies sell part of their products in other provinces, especially Ontario. Apparently, the fact that prescribed formats vary from one province to another prevents businesses from taking advantage of certain economies of scale and thereby reducing their production costs. In addition, the more limited profitability of firms seems to entail higher prices for consumers.

This viewpoint is not shared by all stakeholders in the agrifood sector. A number of businesses and the Fédération des producteurs de lait du Québec (10 875 producers) are opposed to the abolition of remaining regulations for certain dairy product containers. Their opposition is based on two arguments. First, Québec must continue to prescribe formats if it is to effectively control retail milk prices. Second, certain small dairies do not have the capital needed to adapt their equipment to the many changes in milk containers that might be required by the market.

In the Advisory Panel's opinion, the trend toward freer trade on world markets will lead to the elimination or harmonization of regulations in the agrifood sector over the next few years. In its May 1998 report, it recommended that the government review the rules governing supply management in this sector to obtain the flexibility needed to make the best of international trade rules.

However, it is difficult for the Advisory Panel to discuss this question again here in view of the mandate conferred upon it by the government in 1999, which focuses on the way in which regulations are applied and not on the regulations themselves.

Nevertheless, the Advisory Panel feels that it will be important to study economic regulations such as those pertaining to dairy product containers during a future phase of the government's regulatory reform process. It will be important to take a close look at the impact of these regulations on the vitality and competitiveness of Québec's economy in a context where the pressure to open up markets and integrate economies is likely to build. In short, international negotiations on economic activity sectors should be approached with a view to seeking as many net benefits as possible for Québec.

Consequently, **the Advisory Panel suggests that the government:**

> **Study the possibility of evaluating, during a future phase of its regulatory reform, the costs and benefits for economic development and job creation of the economic regulations governing Québec's main economic sectors.**

Administrative irritants arising from Québec's forest system

Even though the associations representing the forest industry did not comment specifically during the consultations on the regulation of the current forest system, they did point out that socioeconomic assessments are often incomplete and even underestimate the costs associated with the implementation of new regulations. They also said that they had not seen any appreciable reduction in their administrative burden in recent years.

In its brief review of this sector, the Advisory Panel considered points that had been raised during the consultations conducted by the Ministère des Ressources naturelles (MRN) in fall 1998 as part of a process aimed at updating the forest system. During these consultations, forest industry representatives said that integrated forest management must be developed in accordance with the roles, rights and responsibilities of all stakeholders and apply the user pays principle. Each party would thus be accountable for its decisions and actions. The industry believes that it should be responsible for forest planning (including the calculation of forest production potential) and for monitoring forest management. It has therefore asked the MRN to reconsider its commitment in the forest sector, ease its legislation and regulations and streamline its administrative framework.

The industry also suggested that the government invite all stakeholders to take part in consultations before it grants new permits and powers to regional agencies, defines production objectives or devises forest management monitoring mechanisms.

Also, according to the industry:

- more emphasis should be placed on results than on the means used to achieve them in the realm of enforcement and monitoring;
- the government is responsible for providing information on the various aspects of forest management, and if it does not shoulder this responsibility, procedures in this area should not be regulated;
- concerted action is essential, and may even need to be compulsory, but the mechanisms for achieving it must be established by the industry, taking specific situations into account;
- forest management standards must be applied using a results-oriented approach, and results should be assessed by the government or external auditors. However, objectives and indicators could be defined in consultation with the industry;
- permit issuing procedures must be simplified (e.g. for unallocated timber);
- the forest management planning framework, which requires that three plans (i.e. general, five-year and annual) be prepared, must be reviewed with streamlining and integration objectives in mind;
- the production and filing of annual reports must also be examined with a view to reducing the administrative burden.

The Advisory Panel has learned that the MRN is currently reviewing its forest system and that this exercise will take into account all the comments and suggestions it received during the 1998 consultations.

The Advisory Panel feels that the comments and suggestions of forest industry representatives should be studied during this process in order to bolster, if possible, the industry's competitiveness. **Consequently, it recommends that the government:**

> **Ensure the Ministère des Ressources naturelles formulates, in the wake of or within the scope of the forest system review, administrative streamlining proposals targeting the issuing of permits and the planning of forest activities.**

Regulations applicable to petroleum product equipment

As mentioned earlier, the Canadian Petroleum Products Institute (CPPI) raised five questions relating to the regulation of petroleum products in Québec in its report to the Advisory Panel. These questions concern:

- the obligation to inform the MRN in writing if a storage system is not being used;
- the insufficient number of certified inspectors available to check the removal and installation of underground tanks;
- the obligation to report all spills, regardless of their size;
- the requirement that applications for petroleum equipment operating permits must be signed by the company that owns the equipment concerned;
- the requirement that petroleum product permits issued to oil companies and carriers must be verified.

It should be mentioned that the main purpose of the *Act respecting the use of petroleum products* is to ensure public safety and protect the environment. It was amended in 1997 to introduce an inspection system for high-risk petroleum equipment involving outside certified inspectors.

The Advisory Panel has studied the questions raised by the CPPI with the MRN. With regard to the first point, concerning the obligation to inform the department if a storage system is not being used, it appears that this procedure adds little in terms of more effective enforcement given the new inspection system currently in place. With regard to the second point, concerning the availability of certified inspectors, information obtained from the MRN revealed that this problem was only temporary and that the department has since certified other inspectors.

As for the third point raised, regarding the obligation to report spills regardless of their size, the department has said that it is prepared to recommend a legislative and regulatory amendment stipulating that only spills of 100 litres or more must be reported. Nevertheless, the department plans to work with MENV to define, by next fall, contamination management measures for protecting the environment in the event of minor spills.

With regard to the last two points, that is, owners' signatures and the verification of permits, the MRN has reservations about implementing streamlining measures. To begin with, it stressed that the main objective of the new legislation is to make petroleum equipment owners and operators as accountable as possible. The department believes, given the risks associated with the use of petroleum products, that it is essential for distributors to check whether clients they are serving have a permit issued by the department and that their equipment is in good condition. As the MRN pointed out, permits are usually posted in public view (s. 29 of the Act) and the list of permit holders is available on the department's Internet site.

In the course of its work, the Advisory Panel noted that the MRN has already streamlined some of the regulatory controls applicable to the operation of petroleum equipment. Under the new legislation, certain administrative formalities have been eliminated for roughly 70% of the clients subject to the Act, and attention is now focused on high-risk petroleum equipment (i.e. 17 000 devices). The department has also eliminated two thirds of the notices that had to be submitted to the Minister and done away with the requirement that an authorization must be obtained from the Minister to make minor modifications on a piece of equipment (roughly 3 000 cases per year).

However, the MRN has indicated to the Advisory Panel that it is willing to go even further by submitting proposals to the government to simplify other regulatory provisions. In addition to the above-mentioned proposals concerning the obligation to notify the department if storage equipment is no longer in use and to report minor spills, the department is ready to recommend:

- that permit holders be allowed to take measurements less often;
- that around 20 of the items to be inspected under the *Petroleum Products Regulation* (ss. 49, 53 and 55) be eliminated since such inspections generate additional costs for permit holders without really improving safety;
- that certain types of operators who use low-risk equipment (e.g. farmers) be relieved of the obligation to build a fence around their tanks;
- that certain requirements regarding the storage of used oil in equipment that poses little danger to public safety and the environment be removed;
- that several amendments be made to clarify and simplify the Regulation.

The Advisory Panel can only endorse the department's proposals since they would make life easier for businesses in the oil industry while protecting the public and the environment. Consequently, **it recommends**:

That the government act as soon as possible on the proposals made by the Ministère des Ressources naturelles for reducing and simplifying the administrative requirements arising from the regulation of the use of petroleum equipment, particularly the proposals pertaining to:

- **the requirement to inform the department in writing if a storage system is not being used;**
- **the obligation to report spills regardless of their size;**
- **the removal of certain items from the list of objects that must be inspected by certified inspectors;**
- **the obligation for certain types of operators (e.g. farmers) to build a fence around tanks.**

Regulations governing the outfitting and tourism sectors

The Federation of Québec Outfitters (FQO), which represents over 700 outfitting operations, drew the Advisory Panel's attention to the host of regulatory requirements affecting the outfitting sector and the plethora of government departments and agencies involved. It also stressed the flagrant lack of consultation and concerted action among these government bodies.

The following departments and agencies are active in this sector: the Société de la faune et des parcs du Québec (FAPAQ), the MRN (public land management), MAPAQ (see the *Agricultural Products, Marine Products and Food Act*), Tourisme Québec (accommodations), MENV (projects with an environmental impact) and the RBQ (building safety), not to mention the MRQ, the OPC and several others.

The FQO pointed out that the administrative formalities imposed by the regulatory requirements of these departments and agencies increase administrative costs for outfitting operations, discourage their owners and put a damper on investment in this sector. It said that the average output of outfitters in Ontario is 35% higher that that of outfitters in Québec.

The Advisory Panel took a close look at the regulatory burden in this industry. It agrees that too many government departments and agencies oversee the sector and that there is sometimes a lack of consultation and concerted action among these bodies. However, apart from this problem, the Panel was unable to identify specific irritants, such as undue administrative requirements and excessive delays, which could justify contacting the concerned departments and agencies in the short term and asking them to take remedial action. According to the Federation, the outfitting network has forged close ties with FAPAQ, which can facilitate the network's dealings with other government authorities if necessary and in accordance with the means at its disposal.

The problem raised by the FQO is one that affects most economic sectors in Québec and stems from the large number of social responsibilities shouldered by the government and their dispersal within the machinery of government. The Advisory Panel is inevitably in favour of more integrated government action; however, if this cannot be achieved, it advocates that the different measures implemented

by the various parties involved be better coordinated through one-stop service outlets, the dissemination of information and other mechanisms likely to minimize the administrative burden on businesses.

The FQO has suggested to the Advisory Panel that a consultation committee be set up to bring together all the government departments and agencies active in the outfitting sector. However, in view of the plethora of parties involved and their sometimes widely divergent mandates, the Advisory Panel believes that such a committee could complicate rather than facilitate communications between the outfitting network and the government. It proposes instead that FAPAQ be recognized as the main government agency responsible for transmitting the network's main demands to other departments and agencies and that it be required to guide and support the network in its dealings with these bodies when necessary. Several departments and agencies already play a similar role for their respective clients: for example, MAPAQ for its clients in the agricultural sector and the Ministère de l'Industrie et du Commerce (MIC) for manufacturing firms.

Consequently, **the Advisory Panel recommends that the government:**

> **Confirm the Société de la faune et des parcs du Québec in its role of main government agency responsible for dealing with the outfitting industry and ask it to support, when necessary, demands addressed by Québec outfitting representatives to other government departments and agencies, particularly those aimed at reducing administrative and regulatory requirements in this economic sector.**

During its mandate, the Advisory Panel was informed of work conducted by Tourisme Québec mainly to improve the quality of tourism accommodations in Québec and to act upon two of the recommendations that the Panel made to the government in its May 1998 report regarding the regulation of Québec's tourism sector.

Although the Advisory Panel was unable to take a close look at the project that will be proposed to the government, it believes that it will reduce the administrative burden on businesses while boosting the vitality of this industry, which plays a strategic role in the Québec economy. Lastly, the Advisory Panel would like to point out that the recommendations it made regarding liquor permit regulations contain interesting streamlining measures for the tourism industry, particularly with regard to accommodations and restaurants.

THE CASE OF BUSINESS START-UPS

Given the determining role that new businesses play in economic development and job creation, the Advisory Panel has paid special attention to the concerns expressed by entrepreneurial associations, particularly the Fondation de l'entrepreneurship, concerning the red tape involved in starting up a business.

As seen recently at the Sommet du Québec et de la jeunesse, there is a strong consensus in Québec that it is complicated to establish a business here because of all the administrative procedures that must be followed under Québec's regulatory system. Regardless of whether a new entrepreneur wants to set up a sole proprietorship, a cooperative or a limited company, he or she must devote a fairly considerable amount of time and resources to find pertinent information, register with the various government departments and agencies concerned, obtain the necessary authorizations and permits, pay duties and fees and fill out the appropriate forms. As indicated earlier, it is not uncommon for an entrepreneur to have to obtain about a dozen authorizations or permits to start up a business, which gives some idea of all the procedures, paperwork and delays involved in dealing with government authorities, not to mention the costs that must be borne by people who often have limited resources when they are just getting a project off the ground.

As seen at the beginning of this report, roughly 35 000 businesses are created annually in Québec. Recently, however, an equal number of firms have been obliged to shut down every year. This does not include the undetermined number of people who plan to set up a business but later abandon their plans when they realize they do not have the necessary skills or because they encounter financial, bureaucratic or other problems they find too daunting. If Québec wants to boost its entrepreneurial potential and foster job creation, it must help such people – who no doubt number in the thousands, based merely on the information requests received by Communication-Québec – to find their way through the maze of bureaucratic rules and regulations.

In other parts of this report, the Advisory Panel has formulated recommendations which, if adopted by the government, could make life easier for new entrepreneurs. Pertinent examples are the recommendations aimed at providing them with clearer explanations of tax legislation, those designed to simplify procedures for obtaining certificates of authorization from MENV, those pertaining to the creation of one-stop service outlets for new businesses in the construction sector and those aimed at streamlining the issuing of liquor permits for restaurants, hotels and tourist establishments.

In its first report (1998) to the government, the Advisory Panel made other recommendations to facilitate administrative procedures for people wanting to start up a business. Among other things, it recommended that prospective entrepreneurs have access to a one-stop service outlet in their region, not only to obtain information, but also to painlessly complete the administrative process involved in starting up a business. The Panel suggested that this regional network of one-stop service outlets could be deployed through local development centres (LDCs).

The Advisory Panel would like to reinforce this last proposal as well as a related project that would allow young entrepreneurs to easily complete all administrative formalities in one place.

Facilitate procedures for new entrepreneurs

New entrepreneurs need guidance and advice to learn what procedures they have to follow. They are rarely familiar with all the requirements imposed by different levels of government for the particular type of activity they would like to carry out. Departments and agencies responsible for applying laws and regulations that affect businesses usually have units that are mandated to provide the latter with appropriate information. However, few of these units deal specifically with fledgling businesses and only a limited number are accessible in places where such businesses are located. Many parapublic agencies, such as LDCs, business information services (Info-entrepreneurs) and community development assistance corporations (Sociétés d'aide au développement des collectivités (SADCs)), are now found in Québec. However, new entrepreneurs are often discouraged by the multitude of organizations active in this sector and assert that each rarely knows all the procedures involved in starting up a business or has all the necessary information.

Communication-Québec has made an effort, particularly through its business start-up information and reference service (Service d'information et de référence pour le démarrage d'entreprises (SIRDE)), to group information needed by new entrepreneurs in documents and other tools (e.g. business start-up guide, assistance programs databank), which have proven to be very useful during the initial stages of a project. However, as projects progress, entrepreneurs need more detailed and specialized information and often ask for help to prepare their business plan as well as for guidance

and support in dealing with government authorities, financial institutions and other parties. To meet these needs, the Advisory Panel proposed in its May 1998 report that a network of one-stop service outlets be deployed through the LDC network to provide business start-up assistance.

The Advisory Panel is aware that the Ministère des Régions is working to make LDCs one-stop service outlets offering support to entrepreneurs. Québec's 111 LDCs have a total of 850 permanent employees, who already devote most of their energies to carrying out this task, particularly by providing reception, guidance and support services to new businesses. However, the Advisory Panel has also been informed that government authorities continue to support initiatives and organizations that duplicate the work of LDCs and create confusion among new entrepreneurs.

Consequently, **the Advisory Panel recommends:**

> **That the key role played by local development centres (LDCs) as one-stop support service outlets for new entrepreneurs be formally recognized and that these organizations be allocated all the resources and means they need (training budgets, computer equipment, departmental collaboration, etc.) to fulfil their mandate efficiently.**

Develop a business start-up kit

Deploying a one-stop service outlet network through LDCs to effectively assist people who wish to go into business requires tools for contacting the many government authorities involved in the business start-up process. The Advisory Panel has learned that the MIC is currently coordinating the work of an interministerial committee, whose mission is to create an adaptable, user-friendly transactional electronic tool for facilitating the administrative procedures required by the Québec, federal and municipal governments to establish a business. This tool, which is to take the form of a business start-up kit, would be useful not only to LDCs, but also to bankers, credit unions, taxpayers and government or other organizations that play a role in setting up businesses. For example, the kit would make it possible to easily identify what procedures and formalities have to be followed to comply with the laws and regulations that apply to a given project. Eventually, it might allow both new businesses firms and those already in operation to deal directly with government departments and agencies, thus avoiding duplication of information and reducing delays. This tool promises to save new entrepreneurs an enormous amount of time and money, which they will then be able to devote to developing their firm.

Based on information obtained by the Advisory Panel, the project to create a business start-up kit is well under way at the MIC, which has allocated substantial resources to this initiative in recent months. Nevertheless, the Advisory Panel feels that it is important to stress the need to pursue and even accelerate the implementation of this very promising project.

Consequently, **the Advisory Panel recommends:**

> **That the government ask the Ministère de l'Industrie et du Commerce to finish designing and implementing as soon as possible, in collaboration with its government partners, the proposed business start-up kit intended to simplify the procedures that new entrepreneurs have to follow in order to comply with government regulations.**

SOLUTIONS TARGETING THE REGULATORY PROCESS AS A WHOLE

As seen earlier, the business community questions several aspects of Québec's regulatory process that affect businesses as a whole. Their criticisms mainly concern the following: the draft regulation consultation process, the multitude and generally high cost of administrative procedures, the unclearness of laws and regulations, the difficulty of obtaining information and documents needed to satisfy regulatory requirements, the host of government departments and agencies involved and the duplication this often entails, and the indiscriminate application of monitoring measures.

The Advisory Panel has studied these problems and would like to propose several solutions.

Improve the consultation process

According to the business community, the government must improve the consultation process leading to the formulation of draft regulations. The Advisory Panel supports this view.

The current regulatory process allows business people to comment on draft regulations published in the *Gazette officielle du Québec* before they are passed by the government. However, even though this process is very useful, it allows for only a very brief assessment of the impact of such legislation on businesses since it is fairly short (45 days), not very user-friendly and difficult to apply. In addition, most businesses, particularly small ones, do not have the human and material resources needed to monitor and analyze the notices published in the *Gazette officielle du Québec*, or to effectively communicate their views to the appropriate departmental authorities. Representative business associations are sometimes consulted and asked to study proposed regulations and express their opinions to the government; very often, however, they are presented with a *fait accompli* when it comes to regulations with a direct effect on their activity sector. These official consultations are frequently held after a preliminary decision has already been made by Cabinet and thus take place quite late in the regulation adoption process. At that stage, government department and agencies are less willing to make even minor amendments to draft regulations that have been a long time in the making and that they consider sound.

Of course, the business community acknowledges that certain departments and agencies conduct systematic consultations before drafting regulations that affect businesses. The government also holds special consultations, within the scope of parliamentary or other committees, on bills that will have major repercussions. For example, public hearings on the orientations of the draft *Engineers Act* allowed interested parties to express their views on the many facets of this bill to the Minister responsible for the Administration of Legislation respecting the Professions and the MNAs taking part in the parliamentary committee. Although such forms of consultation are appreciated, they are often deemed inadequate, mainly because they take place too late in the government decision-making process and do not sufficiently involve the main stakeholders when deliberations first begin.

Other solutions must therefore be explored. It should be noted that MENV recently published a draft regulation on the treatment of wastewater from isolated dwellings on its Internet site; the MRN did likewise for its draft regulation on mineral substances other than petroleum, natural gas and brine. Such initiatives should be repeated within the government and even conducted on a larger scale, especially if the electronic versions of draft regulations are accompanied by clear explanations of proposed amendments. Moreover, such electronic consultations should be held fairly early on in the regulation adoption process, before Cabinet authorizes the pre-publication of proposed regulations in the *Gazette officielle du Québec*. Consequently, **the Advisory Panel recommends that the government:**

> **Encourage departments and agencies to publish draft regulations with an impact on businesses on their Internet site along with necessary explanations before they submit them to Cabinet for pre-publication in the Gazette officielle du Québec.**

Some associations, including the Alliance des manufacturiers et exportateurs du Québec (AMEQ), also expressed the wish that the main stakeholders be allowed to participate to a greater extent in elaborating draft legislation and regulations likely to have an impact on businesses. As a case in point, AMEQ mentioned the draft regulation on dangerous substances, which was formulated with the help of all parties concerned (e.g. business people, environmental protection groups). The ad hoc working group set up by the OPC to resolve the problem of ensuring that sale prices are indicated on all items sold in stores is another example of an efficient public sector consultation process. The Advisory Panel believes that this type of approach, which begins with a situation that needs to be remedied and a specific objective, can often be a very effective and easier

way of building consensus on the means that should be employed to achieve specific results. It can thus lead to regulations or other solutions that are more appropriate, fairer and easier to apply.

Such an approach also allows the costs and other undesirable effects of draft regulations to be taken into account more fully. Unnecessary red tape and ineffective standards can thus be identified and dealt with before regulations are elaborated and submitted to the government for adoption. An approach that involves industry and concerned groups to a greater extent also places more emphasis on societal objectives and makes it possible for participants to agree on other types of solutions that are often more efficient than regulations: for example, dissemination of information to interested parties, self-regulation and the introduction of voluntary agreements.

Therefore, the Advisory Panel believes that for consultations of partners to be truly effective they must be held during the early stages of the regulation adoption process, that is, when solutions are being sought for problematic situations and before the government starts studying specific solutions or drafting legislation or regulations. Consequently, **the Advisory Panel recommends:**

> **That departments and agencies be asked to more frequently invite the main stakeholders to help identify problems as a whole and, where applicable, lay the bases for solutions or draft legislation and regulations that will minimize impacts on businesses.**

Reduce administrative procedures

As mentioned earlier, one of the first things the Advisory Panel did when it began its mandate was consult the preliminary results of a survey on administrative procedures conducted in 1999 by the Secrétariat à l'allégement réglementaire in collaboration with some 20 departments and agencies. Although the survey was incomplete, it identified over 12 million formalities in the form of reports, declarations, registrations, certificates, permits, licences, authorizations and so forth that businesses have to observe.

These preliminary results are surprising not only because of the sheer quantity of formalities required but also because of the latter's varying degree of importance and restrictiveness. For example, the certificates of authorization issued under section 22 of the Environment Quality Act can have a determining impact on the implementation and cost of projects, while simply registering with a department or agency can constitute an irritant for businesses without, however, interfering with their ability to pursue a project. Therefore, the government should take a closer look at these formalities as a whole and examine both their usefulness and the requirements they impose on businesses.

In its May 1998 report to the government, the Advisory Panel suggested several courses of action for reducing the number of permits and authorizations required under existing regulations. The government has already taken certain steps in this direction – it did so, in fact, well before the tabling of the Lemaire report – and over 700 000 of the 2 000 000 permits and authorizations inventoried in 1994 have now been eliminated. However, despite the considerable reduction and streamlining efforts made to date, other measures are called for. As shown by the consultations, business people continue to vigorously denounce the host of procedures still imposed, and often question their necessity.

In the preceding chapters of this report, the Advisory Panel proposed solutions for further reducing the excessive administrative burden. These proposals, which apply for example to liquor permits and the environmental authorization system, will not be complete, however, unless the government is asked to undertake a more extensive and in-depth review of all the administrative formalities required under Québec's regulatory system. The Advisory Panel would be prepared during the second part of its mandate to participate in this process in collaboration with the main departments and agencies concerned and to submit a report to the government on this subject in spring 2001.

With regard to the reduction of administrative procedures, **the Advisory Panel recommends that the government:**

> **Complete as soon as possible the survey of administrative procedures initiated by the Secrétariat à l'allégement réglementaire in 1999 and study the specific procedures that each department and agency applies in order to determine their usefulness and, if possible, propose streamlining or simplification measures.**

Group administrative procedures

Much of the irritation businesses feel with regard to the regulatory framework stems from the fact that they have to contact several government departments and agencies in order to register, obtain permits or comply with various requirements and controls. Several associations (e.g. in the restaurant and outfitting sectors) said that they must deal with about a dozen government authorities to satisfy all their administrative and regulatory obligations. This situation entails significant costs and delays for businesses, particularly SMBs.

To remedy this problem, the government could promote the grouping of various bodies together. However, a more realistic solution would be to better integrate the administrative procedures that businesses have to follow. A case in point is the annual declaration filed with the IGIF, which business people have repeatedly asked be

transmitted to the MRQ at the same time as their income tax return. There are many similar situations in the government where action could be taken.

It is important to point out that several interesting initiatives have already been launched by government departments and agencies. For example, as mentioned earlier, the Commission des transports du Québec (CTQ) has set up one-stop service outlets to make life easier for new road carriers. These facilities allow the latter to do all their registrations in one place if they so desire and thus prevent them from having to deal with five different departments and agencies. New entrepreneurs can thus complete in just a few minutes procedures that used to take several days and require visits to several different government bodies. Another excellent example of administrative streamlining that has made life easier for businesses is Bill 58, adopted by the National Assembly in December 1999. Under one of its provisions, MAPAQ and the SAAQ will be able to exchange information regar-ding the farmer status of farm vehicle owners – a measure that will reduce the number of procedures such owners have to follow when they register their vehicles.

Several other governments in other jurisdictions have already set up one-stop service outlets or computer terminals where entrepreneurs can do transactions with several government departments and agencies at the same time. In Ontario, for example, 80 terminals have been installed throughout the province (a total of 150 are planned) to allow entrepreneurs to do a number of transactions for starting up or expanding a business, such as name searches, registrations, permit applications and so forth. The installation of these electronic one-stop service outlets has required only a fairly modest investment on the part of the Ontario government, given that each terminal costs no more than $80 000 and because the presence of these facilities has eliminated reception and information processing costs.

A measure that complements the one-stop service outlet system consists in collecting, during a single registration operation, all the information required to administer several different regulations or the regulatory framework as a whole. This information is then filed in a register that can be accessed by departments and agencies, with the result that businesses do not have to take any further action. This approach inevitably requires that governments substantially re-engineer their work processes and harmonize the many concepts and definitions included in the laws and regulations concerned. In addition, they must introduce an effective mechanism for ensuring that government regulations on the protection of personal information are observed.

Several US states, including Washington, Hawaii, Montana and New Jersey, have already proposed programs of this type. The State of New York, for example, has adopted a "Master Application Procedure" to coordinate the issuing of permits for complex projects affecting numerous agencies. As for the Government of Ontario, it is working on introducing a main business permit aimed at streamlining the collection of information from businesses and at eliminating certain permits.

It is less and less justified to increase the number of transactions that businesses have to conduct with government authorities, since electronic communication devices now allow departments to exchange large amounts of data rapidly and efficiently. Therefore, new technologies are an avenue that should be explored not only to reduce business-government transactions but also to streamline the collection and use of business data by government departments and agencies.

Consequently, the Advisory Panel believes that the Québec government must strive to reduce the number of government bodies involved in dealing with businesses or, if this cannot be achieved, that it must promote the implementation of one-stop service outlets or one-stop registration measures. **The Advisory Panel recommends that the government:**

> **Promote as much as possible the grouping of administrative procedures required of businesses in some sectors (e.g. restaurant and construction industries) by merging certain departmental or agency responsibilities, introducing one-stop service outlets or implementing one-stop registration measures for information needed to administer several regulations.**

Better evaluate the cost of administrative procedures

During the consultations, several associations pointed out that the costs generated for businesses by the administrative burden can sometimes affect their profitability. It has been demonstrated that some business firms, particularly in very competitive sectors, can incur expenses equal to up to 5%, 10% or 15% of their operating revenues to comply with government red tape. Departments and agencies should thus be more aware of the costs the administrative burden represents for businesses. The Advisory Panel realizes that Order in Council 1362-96, pertaining to regulatory activities, already requires these government bodies to minimize the administrative burden occasioned by regulations and to assess its impact on firms. However, based on the reports it received, the Advisory Panel feels that these provisions do not allow the real consequences of these formalities to be evaluated properly.

The Québec government should look to certain measures implemented elsewhere in the world for ideas on how to better assess these impacts. For example, the Australian federal government has asked its departments and agencies to provide a space on business forms where firms can indicate the time it took them to fill out the form in question ("Time Box Policy"). Such an approach can provide governments with useful information for measuring the administrative burden imposed on businesses by regulatory controls and for taking remedial measures, if necessary. The Advisory Panel suggests that departments and agencies that require their clients to fill out numerous forms (e.g. MRQ) draw inspiration from this Australian practice.

The US federal government has also adopted an interesting approach to evaluating and reducing the cost of administrative procedures. In the early 1980s, it introduced the Paperwork Reduction Act, which requires each federal department and agency to estimate the number of hours that businesses must spend satisfying the administrative requirements associated with the regulatory controls it applies. Under the Act, the government has set quantifiable, administrative burden reduction objectives that each department and agency must meet.

Lastly, California has also implemented an interesting measure. In this state, departments that wish to introduce regulations must also submit a summary assessment, using a standard form, of the compliance costs that might stem from the proposed normative framework and of the burden its administrative obligations could entail.

The Advisory Panel believes that the Québec government should follow this example and oblige departments and agencies, based on Order in Council 1362-96, to provide the Conseil exécutif, when they submit draft regulations, with a summary evaluation of the costs and impact of the administrative requirements related to the proposed regulations.

Consequently, **the Advisory Panel recommends that the government:**

> **Require departments and agencies to provide Cabinet, when they submit draft regulations, with a summary evaluation of the administrative burden such regulatory measures would impose on businesses, using a short, standard questionnaire prepared for this purpose.**

Despite its usefulness, such a measure would not be all that is needed, however, to adequately take the administrative burden's impact on various economic sectors into account. The consultations conducted by the Advisory Panel have clearly demonstrated that businesses are discouraged not so much by specific administrative obligations but by the cumulative impact of such requirements as a whole. The business community decries the fact that the beneficial effects of regulatory streamlining measures introduced by one department are often more than offset by the simultaneous introduction of one or more other regulations by another department. Actions that target a particular administrative regulation have their merits but they can only have limited benefits, either because the regulation affects only a limited number of businesses or accounts for only a very minor portion of the costs and other inconveniences imposed on businesses.

To be effective, measures aimed at reducing the administrative burden must therefore focus not only on the additional requirements entailed by each new government initiative, but also on the combined impact of existing formalities as a whole. In the Advisory Panel's opinion, it is this combined impact that accounts for the many complaints about the volume of government paperwork expressed by the associations it consulted. This phenomenon also accounts for the fact that a new regulation, which has a limited impact when considered in isolation, can be the straw that breaks the camel's back and may cause investors to abandon a project or close an establishment.

Therefore, for the Québec government to set regulatory reform objectives and measure the net progress made over the years with regard to their achievement, it must be able to determine the combined impact of all existing regulations. This type of approach is already followed in several other parts of the world, including the United States.

Although the Advisory Panel is convinced that a much more accurate assessment of the total administrative burden on Québec businesses is needed, it realizes that this would involve certain problems and incur substantial costs. Therefore, it suggests that efforts focus initially on developing a simple, yet effective methodological approach for making a global assessment of the regulatory framework's real repercussions. Consequently, **it recommends that the government:**

> **Mandate an independent expert to develop and propose to the government a method for evaluating the total administrative burden occasioned by government regulations, as well as ways for testing this method in several representative departments and agencies before making it general government policy.**

Ensure that regulations are clear

Several associations complained that existing regulations are unclear. They made the same comment with regard to documents based on these regulations, such as explanatory guides,

forms, official correspondence and so forth. The problem stems largely from the fact that regulations are full of references to other texts and standards and are thus often incomprehensible to lay persons.

Faced with similar problems relating to the clarity of their regulatory requirements, several governments, including those of the United States, the United Kingdom, Belgium and Australia, have adopted directives and programs aimed at making their regulations and other documents clearer. The most recent US initiatives are the Executive Order handed down by the President of the United States on September 30, 1993 and the presidential note of June 1, 1998. The latter requires that government agencies write all new regulations clearly and concisely starting January 1, 1999. They must also rewrite all existing documents, including letters, forms and notes, in plain and precise language by the year 2002. This directive instructs agencies to use everyday expressions, to not employ too many technical terms, unless absolutely necessary, to address citizens directly by using "you" and to keep sentences simple. The Administrative Procedure Act defines "plain language" as language that a person with an elementary school education would easily understand.

Obviously, the law and legal culture of Québec are different from those of Anglo-Saxon countries. Therefore, it must consider their initiatives with this fact in mind and devise its own solutions. Certain measures already envisaged within the Québec government, such as the SAAQ plan to revise the *Highway Safety Code* to make it more user-friendly, are certainly a step in the right direction. The Panel hopes that if the SAAQ project is carried through to completion, it will encourage the emergence of other similar initiatives in the public sector. In its opinion, however, it will not be possible to significantly improve the clarity of regulations unless the Ministère de la Justice and all the legal experts who work in the different government departments and agencies take part in this exercise. Consequently, **the Advisory Panel recommends:**

> **That the Ministère de la Justice be given a mandate to propose a policy and specific means to the government for simplifying and clarifying the wording of draft legislation and regulations, and to involve government departments and agencies in this process.**

Similarly, **the Advisory Panel also recommends that the government:**

> **Set up a task force with a mandate to submit policy directions and specific courses of action to the government for making administrative documents that are prepared for businesses under government regulations (e.g. guides, forms) more comprehensible.**

Better inform businesses of their regulatory obligations

The consultations conducted by the Advisory Panel suggest that regulatory and administrative requirements would be less irritating for businesses if the latter had readier access to pertinent information and appropriate assistance from the departments and agencies responsible for the regulations concerned.

Businesses, particularly SMBs, encounter obstacles when they try to find the information they need to identify the nature of their obligations and how they can satisfy them. One association said that businesses are unable to obtain clear, appropriate, simple and precise information from government bodies. This comment, which certainly does not apply to all departments and agencies, nonetheless indicates that an effort must be made to remedy this situation in the public sector, since such problems often cause delays, generate costs and can even discourage entrepreneurs.

The most common problem faced by entrepreneurs is obtaining information by telephone. This question was discussed earlier with regard to the MRQ. Even though business people acknowledge that the government has made progress in this area, they continue to decry the often endless waits they are subjected to in trying to contact certain departments and agencies by telephone, not to mention the still far-too-frequent occasions on which they simply abandon their efforts to reach the department or agency concerned after spending a long time "on hold". One government body recently told the Advisory Panel that, in 1998, it was able to answer only 36% of the calls it received; in the other cases, clients simply hung up or were disconnected by the agency after long waits. It is hard to believe that this type of situation – which has now been partly remedied at the organization in question – can occur in a public administration whose raison d'être is serving the general public and businesses. Long delays lead to lost productivity and enormous costs for businesses, especially small ones.

Businesses firms also denounce the excessive use of telephone answering systems and, above all, the complexity of some. One association told the Advisory Panel that such systems are veritable labyrinths. Despite these criticisms, the Panel does not believe that such systems should be abandoned; they have the advantage of being accessible outside government office hours and do not have to be located within the particular office a person is trying to reach. There are also some good examples of voice-answer-back systems being used in other jurisdictions. In the mid 1990s, the State of New York set up an advanced-technology system of this type, which gives clients access to information on the 1 200 permits issued by its various government agencies.

Given the importance of government telephone reception services for business people, **the Advisory Panel recommends:**

> **That, in striving to enhance the quality of public services, the government give priority to improving telephone communications with businesses and individuals in order to significantly reduce waiting times.**

Departments and agencies should also make a special effort to disseminate information that will allow businesses to find out what is expected of them and thus ensure they will not liable to fines or penalties such as permit suspensions because they did not know of the existence of a particular regulatory requirement or did not understand it.

Guides and interpretation bulletins can play a useful role in this regard, as can compendiums of laws and regulations that affect businesses as a whole or those in a particular sector. However, such documents must satisfy the clarity requirements mentioned earlier.

Some departments and agencies already provide this type of information on their Web site, while others have gone even further and set up a network, or what is commonly know as an extranet, reserved for businesses in their activity sector. All departments and agencies should be encouraged to follow suit since such systems allow businesses to rapidly access personalized and specialized information without having to go anywhere and whenever it is most convenient. Like the Alberta Department of Agriculture, Québec government bodies should ensure that their Web sites allow firms to contact an expert if necessary.

Consequently, **the Advisory Panel recommends that the government:**

> **Ask departments and agencies to devise means, such as explanatory guides, interpretation bulletins and Web pages, to provide businesses with appropriate information on the nature of their regulatory obligations and how they can satisfy them.**

Entrust more responsibilities to private-sector professionals

Even if the quality of documents and information placed at the disposal of businesses is improved, it is very likely that many firms will still have difficulty or feel uncomfortable about interpreting and applying their regulatory and administrative requirements. Many businesses, including SMBs, simply do not have the time or technical expertise to fully understand the nature of these requirements.

Therefore, when possible and provided this does not complicate the decision-making process, regulations should stipulate more often that private-sector professionals may attest on behalf of firms to their compliance with prescribed regulatory standards. This practice is already widespread with regard to businesses's financial statements, but could be employed more frequently in the environment sector and for the application of the *Act to foster the development of manpower training*. Professionals in various fields, such as engineering, are no doubt just as, if not better, qualified than the heads of business firms to interpret and apply regulations. Of course, they will probably adjust their rates accordingly to take into account the possibility of having to pay fines or face legal proceedings for non-compliance. Nevertheless, handing more responsibilities over to private-sector professionals would benefit businesses by making them feel more confident about their compliance with regulatory controls. It would also greatly benefit the government by allowing staff members to devote their energies to post-audits and other tasks that they have difficulty doing on account of insufficient resources.

Consequently, **the Advisory Panel recommends that the government:**

> **Entrust more responsibilities to private-sector professionals regarding the compliance of businesses with regulatory and administrative requirements.**

Make more use of new information and communications technology

The growing use of new information and communications technology (NICT) also makes it possible to significantly reduce delays and costs associated with regulatory administrative requirements. Such technology has enormous potential for information transmission, obtaining and sending forms, filing reports with the government and paying amounts owed.

In addition, given that electronic communications technology can be used for several million transactions per year, its potential benefits for government-businesses communications are all the greater. Moreover, such gains can be realized in the short term and, in most cases, with a minimum of investment on the part of businesses. According to recent surveys, 57% of firms with 10 or more employees are already hooked up to the Internet in Québec. There is reason to believe that almost all of these businesses, even the smallest ones, will have Internet access within the next few years.

The Advisory Panel is aware that NICT implementation is already well under way within the Québec government. All laws and regulations have been published on the Internet site of the Éditeur officiel du Québec, and certain guides or information on their application are sometimes available as well. Apparently, over 1 700 forms issued by various departments and agencies can also be found on line; however, not all of them can be filled out and transmitted electronically. All departments and agencies should be encouraged

to make use of this new technology since it will allow businesses to rapidly access very useful information without having to go anywhere and when it is most convenient.

The Advisory Panel received several positive reports from business firms about NICT use in certain departments and agencies, particularly the MRQ and the CSST. It has also been informed that a number of major projects are underway within the government, including the one mentioned earlier directed by the MIC. This project is aimed at developing an electronic tool in the form of a business start-up kit that will allow new businesses to meet all of their regulatory obligations painlessly and rapidly.

Several governments elsewhere in the world have already made great strides with regard to NICT use. France, for example, has just issued a directive requiring all government departments and agencies to offer businesses, by the year 2000, the option of obtaining, filling out and submitting all forms electronically. British Columbia, for its part, has adopted the Business Paper Reduction Act, providing for electronic transactions between the government and businesses.

Even though the application of this technology is likely to pose certain cost and access problems for some small businesses initially and steps will have to be taken to minimize the impact of these problems, the Advisory Panel is largely in favour of increasing NICT use within the public sector. Consequently, **it recommends:**

> **That the government accelerate the implementation and use of new information and communications technology within the government not only to make forms, guides and information on regulatory obligations more accessible but also to make it easier to obtain permits and other authorizations, file reports and pay amounts owed to the government.**

Ensure that enforcement activities and penalties are well targeted

Several associations said that government departments and agencies often lack judgement in carrying out enforcement activities and imposing penalties. The Advisory Panel heard of several cases where businesses whose behaviour is generally irreproachable were meted out penalties for the odd, inconsequential transgression relating to failure to comply with a regulatory requirement. This issue has already been raised with regard to the application of tax legislation.

In the Advisory Panel's opinion, enforcement activities should be carefully planned and conducted in a judicious, well-targeted fashion that takes into account the past record of firms and focuses special attention on those whose behaviour is most questionable. Such an approach is followed in the road transportation sector, where a business's accident and infraction record is taken into consideration. Similar approaches could be implemented throughout the government.

In this regard, the Advisory Panel would like to mention a program called Partners In Compliance adopted by the Government of Alberta. Under this program, which was set up jointly by the province's Department of Transportation and Utilities and the Alberta Trucking Association, carriers who comply with regulatory requirements or do more than is expected may undergo only limited enforcement. However, businesses that have a bad record are subject to much more rigorous inspections.

Drawing inspiration from these approaches, **the Advisory Panel recommends that the government:**

> **Ask departments and agencies that control businesses' operations to adopt policies and means ensuring that enforcement activities focus primarily on businesses that are most likely not to comply with existing requirements.**

Lastly, the Advisory Panel would like to suggest that the government make sure that civil servants who offer services to businesses are better informed of the contest in wich they operate and thus more readily willing to cooperate with them. Problems have been mentioned in this regard by a number of associations and they would probably be less acute if government employees were more familiar with the business realities.

The Advisory Panel would like to propose that the government take advantage of the reform process under way in the public sector to correct these problems, particularly through training and awareness activities, and thereby make it possible to improve relations between government departments and agencies and business firms, especially SMBs.

CONCLUSION

The exercise conducted by the Advisory Panel in recent months has made it realize, often with astonishment, that the administrative requirements arising from existing regulations impose substantial constraints and costs on Québec businesses, particularly small ones. Such constraints obviously have a negative impact on the competitiveness of firms, job creation and investment in Québec.

In this report, the Advisory Panel has proposed over 50 recommendations, which, if applied, might help to significantly offset the adverse effects of these regulatory requirements on the economy and further boost the confidence of the business community in Québec's economic future. Government measures have a determining impact on the competitive capacity of economies, which now face international competition to a much greater extent than ever before.

In carrying out its work, the Advisory Panel has tried to understand why Québec's public sector imposes so many administrative requirements and such high costs on firms. This is no doubt partly due to the government's legitimate desire to more effectively oversee the activities of businesses while ensuring the safety of workers and the general public and protecting the environment. However, the Advisory Panel is also obliged to conclude that this administrative burden stems from a lack of information or awareness at several levels within the public sector about the essential role of business firms in economic growth and job creation. Therefore, the Advisory Panel has suggested that an effort be made, through training and awareness programs to inform employees about the situation and role of businesses and thus enable the public sector to make a distinctive, enduring contribution to revitalizing the Québec economy.

With the adoption of Bill 82, an unprecedented modernization exercise will be launched in Québec's public sector, mainly to improve services to individuals and businesses. Like the business community no doubt, the Advisory Panel can only applaud this effort. However, the exercise will not be complete unless it devotes the vast pool of resources and skills available in the public sector to making Québec not only one of the most socially progressive societies in the world, but also one of the most dynamic in terms of entrepreneurship, economic growth and job creation.

APPENDICES

LIST OF THE MAIN ABBREVIATIONS USED IN THIS REPORT

AAC	Aluminium Association of Canada
ACQ	Association de la construction du Québec
AIEQ	Association de l'industrie électrique du Québec
AMEQ	Alliance des manufacturiers et exportateurs du Québec
APCHQ	Association provinciale des constructeurs d'habitations du Québec
ARQ	Association des restaurateurs du Québec
ATRAQ	Associations touristiques régionales associées du Québec
BAPE	Bureau d'audiences publiques sur l'environnement
CCGD	Canadian Council of Grocery Distributors
CCQ	Commission de la construction du Québec
CCRA	Canada Customs and Revenue Agency
CFIB	Canadian Federation of Independent Business
CNT	Commission des normes du travail
CPPI	Canadian Petroleum Products Institute
CPQ	Conseil du patronat du Québec
CSST	Commission de la santé et de la sécurité du travail
CTQ	Commission des transports du Québec
FAPAQ	Société de la faune et des parcs du Québec
FCIQ	Fédération des chambres immobilières du Québec
FNFMO	Fonds national de formation de la main-d'œuvre
FQO	Federation of Québec Outfitters
GCEQ	Groupement des chefs d'entreprise du Québec
GDP	Gross domestic product
HSF	Health Services Fund
IBC	Insurance Bureau of Canada
IGIF	Inspecteur général des institutions financières
LDCs	Local development centres
MAPAQ	Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec
MIC	Ministère de l'Industrie et du Commerce
MRN	Ministère des Ressources naturelles
MRQ	Ministère du Revenu du Québec
NICT	New information and communications technology
OECD	Organization for Economic Co-operation and Development
OPC	Office de la protection du consommateur
OPQ	Office des professions du Québec
QFIA	Quebec Forest Industries Association
QFPA	Quebec Food Processors Association
QPP	Québec Pension Plan
RACJ	Régie des alcools, des courses et des jeux
RBQ	Régie du bâtiment du Québec
SAAQ	Société de l'assurance automobile du Québec
SAQ	Société des alcools du Québec
SMBs	Small and medium-sized businesses
UPA	Union des producteurs agricoles

ORDER IN COUNCIL
GOVERNMENT OF QUÉBEC *

NO. 464-99 **28 APRIL 1999**

CONCERNING the Advisory Panel
on Regulatory Reform

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WHEREAS the Government of Québec created an Advisory Panel on Regulatory Reform under Order in Council 1167-97 of 10 September 1997;

WHEREAS the Advisory Panel submitted its report to the Premier on 29 May 1998, and the mandate of its members ended 9 September 1998;

WHEREAS, despite the significant progress made with respect to regulatory reform, it is deemed useful to maintain an independent group responsible for dealing with issues relating mainly to administrative irritants that affect businesses and thus make it possible to better focus the government's efforts to reduce the regulatory and administrative burden on such businesses;

WHEREAS it is expedient to re-establish the Advisory Panel on Regulatory Reform;

IT IS THEREFORE ORDERED, upon recommendation of the Premier:

THAT the Advisory Panel on Regulatory Reform be re-established and that its mandate, as described in Order in Council 1167-97 of 10 September 1997, be extended until 31 March 2001;

THAT the Advisory Panel be made up of a maximum of twelve members, mainly from the business community, and include a chairman and a vice-chairman and at least two members from organized labour;

THAT the following individuals be appointed members of the Advisory Panel on Regulatory Reform for a two-year term as of today's date:

- Bernard Lemaire, Chairman of the Board, Cascades inc.;
- Jean-Paul Barré, President and CEO, Industries Lassonde inc.;
- Pierre Comtois, Director General of Legal Services and Public Affairs (Québec), General Motors of Canada Ltd.;
- Martine Corriveau-Gougeon, Senior Vice-President, Operations Planning and Customer Services, Bell Canada;
- Michel Hémond, President, Pyradia inc.;
- Édith Majeau, President, Les Industries MKE (1984) inc.;
- Micheline Plamondon, Vice-President, J. B. Deschamps inc.;
- Claude Rioux, Service Coordinator, Fédération des travailleurs du papier et de la forêt (CSN);
- Jean-Marie Sala, Director of Environmental Affairs, Alcan (Montréal);
- Marcel Samson, Administrator of various business firms;
- Émile Vallée, Political Advisor, Fédération des travailleurs et travailleuses du Québec (FTQ);
- Michel Yergeau, Attorney, Lavery de Billy;

THAT Bernard Lemaire and Pierre Comtois be designated, respectively, chairman and vice-chairman of the Advisory Panel for the duration of their mandate as members of the Panel;

THAT the Advisory Panel may adopt internal management rules and shall announce such rules to the Premier;

THAT the Advisory Panel may set up committees to study specific issues;

THAT the Advisory Panel submit a report on its activities to the Premier annually and advise him on specific issues at his request;

THAT the Advisory Panel may release a report on its activities 30 days after such report has been received by the Premier;

THAT the individuals appointed to the Advisory Panel be reimbursed for travel and accommodation expenses incurred in carrying out their duties, in keeping with the rules governing members of agencies, decreed by the government in Order in Council 2500-83 of 30 November 1993 and its subsequent amendments;

THAT the Secretary-General and Clerk of the Conseil exécutif designate a civil servant to act as secretary of the Advisory Panel and as supervisor of the Advisory Panel's secretariat;

THAT Order in Council 1167-97 of 10 September 1997 be amended accordingly.

Michel Noël de Tilly

Clerk of the Conseil exécutif

* The French text is the only official version, and the only one having force of law. The English translation has been provided for the reader's convenience only.

LIST OF ASSOCIATIONS THAT FILED A REPORT WITH THE ADVISORY PANEL

Alliance des manufacturiers et des exportateurs du Québec (AMEQ)

Aluminium Association of Canada (AAC)

Association de l'industrie électrique du Québec (AIEQ)

Association de la construction du Québec (ACQ)

Association des libraires du Québec (ALQ)

Association des restaurateurs du Québec (ARQ)

Association of Canadian Travel Agents - Québec (ACTA-Québec)

Association provinciale des constructeurs d'habitation du Québec (APCHQ)

Associations touristiques régionales associées du Québec (ATRAQ)

Camping Québec

Canadian Council of Grocery Distributors (CCGD)

Canadian Federation of Independent Business (CFIB)

Canadian Petroleum Products Institute (CPPI)

Conseil du patronat du Québec (CPQ)

Fédération des chambres immobilières du Québec (FCIQ)

Federation of Québec Outfitters (FQO)

Fondation de l'entrepreneurship

Groupement des chefs d'entreprise du Québec (GCEQ)

Insurance Bureau of Canada (IBC)

Quebec Food Processors Association (QFPA)

Quebec Food Retailers Association (QFRA)

Quebec Forest Industries Association (QFIA)

Union des producteurs agricoles (UPA)